NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

Vita Group Limited
ABN 62 113 178 519

The Vita Directors unanimously recommend that Vita Shareholders

VOTE IN FAVOUR

of the Proposed Transaction at the Extraordinary General Meeting

The Extraordinary General Meeting is to be held at 9.00am Brisbane time (10:00am Sydney / Melbourne time) on Wednesday 10 November 2021 online at https://web.lumiagm.com/306-248-866.

The Independent Expert has concluded that the Proposed Transaction is in the best interests of Vita Shareholders.

Legal adviser to Vita Group

MinterEllison

Important Notice

IMPORTANT INFORMATION

This Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and proxy form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the Extraordinary General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser.

PURPOSE OF EXPLANATORY MEMORANDUM

The Explanatory Memorandum, which forms part of the Notice of Meeting, contains an explanation of, and information about, the Proposed Transaction to be considered at the Extraordinary General Meeting of Vita to be held on Wednesday 10 November 2021. It is given to Vita Shareholders to provide them with information that the Vita Directors believe to be material to Vita Shareholders in deciding whether and how to vote on the Resolution. Vita Shareholders should read the Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Proposed Transaction. If you are in doubt about what to do in relation to the Proposed Transaction, you should consult your financial or other professional adviser.

The Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Vita Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolution. Vita is not licensed to provide financial product advice in relation to Vita Shares or any other financial products.

INVESTMENT DECISIONS AND FORWARD LOOKING STATEMENTS

The Explanatory Memorandum contains forward looking statements which have been based on current expectations about future events. Forward looking statements can be identified by the use of forward looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable terminology. Similarly, statements that describe Vita's objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in the Explanatory Memorandum about the impact that the Proposed Transaction may have on the results of Vita's operations and the advantages and disadvantages anticipated to result from the Proposed Transaction are also forward-looking statements.

These forward looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Vita to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. The risk factors described in Section 0 of the Explanatory Memorandum could affect actual events or results causing these results to differ materially from the events or results expressed, projected or implied in any forward looking statement. Other unknown or unpredictable factors could also have a material adverse effect on future results of Vita.

None of Vita, nor any of their respective officers or any person named in the Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Vita Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Vita is no assurance of its future financial performance.

The forward-looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any obligations under law or the Listing Rules, Vita and its related entities and directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in the Explanatory Memorandum and between those figures and figures referred to in other parts of the Explanatory Memorandum are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Proposed Transaction which is not contained in this Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum must not be relied on as having been authorised by Vita or the Vita Board in connection with the Proposed Transaction.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Memorandum (except for the Independent Expert's Report) has been prepared by Vita (**Vita Information**) and is the responsibility of Vita. No other person assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Memorandum.

BDO has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Memorandum. BDO takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither Vita nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Vita Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

PRIVACY STATEMENT

Vita collects personal information about its shareholders' holdings of Vita in accordance with the Corporations Act. Vita will share that personal information with its advisers and service providers in connection with the Proposed Transaction. Shareholders can contact the Share Registrar, Computershare Investor Services Pty Limited on +61 (0)3 9415 4000 or 1300 850 505 (within Australia) if they have questions about their personal information.

DEFINITIONS

Defined terms are used in the Explanatory Memorandum. The defined terms are in the Glossary set out in Section 7.

NO INTERNET SITE IS PART OF THE EXPLANATORY MEMORANDUM

Vita maintains an internet site at www.vitagroup.com.au. Any references in the Explanatory Memorandum to an internet site are textual references for information only and no information in any internet site forms part of the Explanatory Memorandum.

TIME

All references to time in the Explanatory Memorandum are references to Brisbane, Australia time unless otherwise stated.

CURRENCY

All references in the Explanatory Memorandum to "$", "A$" and "cents" are references to Australian currency, unless otherwise specified.

ASX

Neither ASX nor any of their respective officers takes any responsibility for the contents of the Explanatory Memorandum.

DATE

The Explanatory Memorandum is dated Friday 8 October 2021.

Key Dates

Date of the Explanatory Memorandum and despatch to Vita Shareholders	Friday 8 October 2021
Deadline for returning proxy forms	Monday 8 November 2021 at 9.00am (AEST)
Record date for determining Vita Shareholders' entitlement to vote at Extraordinary General Meeting	Monday 8 November 2021 at 6.00pm (AEST)
Trading halt pending the outcome of the Resolution	Wednesday 10 November 2021
Extraordinary General Meeting of Vita Shareholders	Wednesday 10 November 2021 at 9.00am (AEST)
Vita Shares start trading following announcement of the outcome of the Resolution	Wednesday 10 November 2021
Completion of the Proposed Transaction	Friday 12 November 2021
Special Dividend Major Distribution Ex Date	Thursday 18 November 2021 at 9.00am (AEST)
Special Dividend Major Distribution Record Date	Friday 19 November 2021 at 6.00pm (AEST)
Special Dividend Major Distribution Payment Date	Friday 26 November 2021
Special Dividend Final Distribution Record Date	To be announced following the Completion Date
Special Dividend Final Distribution Payment Date	To be announced following the Completion Date

The key dates above (and the references to those dates through this document) are indicative only and are subject to any changes that may be agreed between Vita and Telstra, or in consultation with the ASX. Vita will update Vita Shareholders via ASX platform and Vita's website as appropriate when the relevant events are reached or changed, or decisions made.

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Letter from the Chair

Friday 8 October 2021

Dear Vita Shareholder

The Vita Directors are pleased to provide you with this Notice of Meeting and Explanatory Memorandum for your consideration in relation to the proposed sale of Vita Group's retail information and communication technology (**ICT**) business to Telstra.

The Explanatory Memorandum contains important information to help you make an informed decision about how to vote at an Extraordinary General Meeting to be held on Wednesday 10 November 2021, including a description of the Proposed Transaction, the reasons why the Vita Directors consider that you should vote in favour of the Proposed Transaction, and the various risks relating to the Proposed Transaction and the Independent Expert's Report. The Vita Directors urge you to read the Explanatory Memorandum (including the Independent Expert's Report) in its entirety.

On 24 September 2021, Vita announced it had entered into the Transaction Documents with Telstra, which includes a condition that Vita Shareholders approve the Proposed Transaction at the Extraordinary General Meeting. Section 1 of this document describes the Resolution which will be put to Vita shareholders at the Extraordinary General Meeting. Being an ordinary resolution, if 50 per cent or more of the votes cast are in favour of the Resolution, the Proposed Transaction will be approved.

The Proposed Transaction is described in detail in Section 4 of the Explanatory Memorandum. In summary, the Proposed Transaction involves Telstra acquiring Fone Zone, a wholly owned subsidiary of Vita which is the holding company for the corporate entities holding and operating the Retail ICT Stores and the Sprout accessories business. Vita will retain ownership of the Artisan Business, which is a skin health and wellness business that provides non-surgical aesthetic treatments and products to clients via its channel of 20 clinics (as at the time of writing this document).

While not legally required to do so, the Vita Directors commissioned audit and accounting firm BDO to prepare an Independent Expert's Report on the merits of the Proposed Transaction. BDO has concluded that the Proposed Transaction is **in the best interests of Vita Shareholders**.

For the reasons set out in Section 2.5 of the Explanatory Memorandum, the Vita Directors unanimously recommend that you vote in favour of the Resolution to approve the Proposed Transaction. In reaching their recommendation, the Vita Directors have had regard to a range of factors including that:

- if the Proposed Transaction proceeds, it will maximise the financial benefit to Vita and Vita Shareholders given the expiry of Vita's Telstra Dealer Agreement (**TDA**) in June 2025;
- the cessation of the Retail ICT Business is inevitable, and no alternative proposal has emerged;
- the Independent Expert has concluded that the Proposed Transaction is in the best interests of Vita Shareholders;
- if the Proposed Transaction proceeds, Vita will be able to return the majority of the proceeds to Vita Shareholders via the Special Dividend;
- if the Proposed Transaction proceeds, it will enable Vita to direct its full focus as well as necessary additional funding to deliver on its strategy for growing the Artisan Business;
- if the Proposed Transaction does not proceed, Vita will continue to experience the challenges of the ICT industry;
- there are practical difficulties in continuing to operate the Retail ICT Business now that the date for conclusion of operation by Vita has been determined; and
- the Vita Share price may fall if Proposed Transaction does not proceed.

There are also reasons why Vita Shareholders may decide to vote against the Proposed Transaction. Some of these reasons are set out in Section 2.6 of the Explanatory Memorandum and include:

- you may disagree with the Vita Directors' recommendation and the Independent Expert's conclusion;
- you may consider there is potential for other proposals to emerge;

- you believe that Vita should continue to operate the Retail ICT Business up until the expiry date of the TDA in June 2025, rather than sell it to Telstra; and
- your consideration of the risks associated with the profile of Vita post implementation of the Proposed Transaction.

Further information in relation to the Proposed Transaction is contained in the Explanatory Memorandum and in the Independent Expert's Report which is contained in Section 8. Various risks associated with the Proposed Transaction and Vita, are summarised in Section 0.

I encourage you to vote on the Resolution. If you wish the Proposed Transaction to proceed, you should vote in favour of the Resolution. If you are unable to attend the Extraordinary General Meeting, please complete the enclosed proxy form and return it in accordance with the instructions on the form.

Please read all parts of the Explanatory Memorandum before making your decision on how to vote on the Resolution at the Extraordinary General Meeting. If you have any questions in relation to the Proposed Transaction or the Explanatory Memorandum, you are encouraged to submit questions to Vita's Chief Legal and Risk Officer, George Southgate at george.southgate@vitagroup.com.au or 0412 514 030.

Yours sincerely

Dick Simpson

Dick Simpson
Independent Chair
Vita Group Limited

1 Notice of Meeting

Notice is given that an Extraordinary General Meeting (**Meeting**) of Vita Group Limited ABN 62 113 178 519 (**Vita** or **Company**) will be held as a virtual meeting on **Wednesday 10 November 2021** at **9.00am** (AEST) at www.lumiagm.com with meeting ID 306-248-866 for the purpose of considering, and if thought fit, passing the Resolution set out below.

Unless otherwise defined, terms used in this Notice of Meeting have the meaning given in the Explanatory Memorandum of which this notice forms part.

Due to the restrictions related to the COVID-19 pandemic, the Meeting will be held as a virtual meeting through the Lumi AGM software platform.

Vita Shareholders can watch and participate in the Meeting via the online platform by using a computer, mobile device or tablet, using the following details

- Enter the following URL in your browser: https://web.lumiagm.com/306-248-866)
- The meeting ID for the Meeting is: 306-248-866
- Your username is your SRN/HIN
- Your password is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the Online Voting User Guide.

If you have been nominated as a third party proxy, or for any enquiries relating to virtual participation, please contact the Share Registrar on +61 3 9415 4024.

To participate online, you should register at least 15 minutes before the Meeting. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible. Further information on how to participate online is set out in this Notice of Meeting and in the Online Meeting User Guide available online at www.computershare.com.au/virtualmeetingguide.

Only shareholders or their appointed proxies and attorneys will be permitted to ask questions.

Further information will be made available on the Company's website at www.vitagroup.com.au or the ASX.

The Resolution: Proposed Transaction

To consider and, if thought fit, to pass the following ordinary resolution:

> *'That, under and for the purposes of Listing Rule 11.2, and for all other purposes, Shareholder approval is given for the Company and its subsidiaries to enter into arrangements to give effect to, and to implement, the Proposed Transaction as described in the explanatory memorandum accompanying this notice of meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by the Company.'*

Voting exclusion statement

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Telstra and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a Vita Shareholder); or
- any of their Associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Attendance and Voting

Entitlement

You will be entitled to attend and vote at the Meeting if you are registered as a Vita Shareholder on the Record Date as at 6.00pm (AEST) on Monday 8 November 2021.

How to vote

Voting entitlement on a poll

On a poll, each Vita Shareholder present (in person, by proxy, attorney or corporate representative) has one vote for each Vita Share they hold.

The Chair will put the Resolution to a poll.

Required voting majority

The Resolution must be approved by Vita Shareholders whose Vita Shares in aggregate account for greater than 50% of the votes cast on the Resolution (whether in person, by proxy, attorney or corporate representative).

Appointment of a corporate representative

Any corporation which is a member of the Company may appoint a proxy, as set out above, or appoint a natural person to act as its representative at any general meeting under section 250D of the Corporations Act or appoint an attorney. Corporate representatives are requested to provide appropriate evidence of appointment as a representative in accordance with the Constitution. A form of notice of appointment can be obtained from Computershare.

Voting by attorney

Attorneys are requested to provide the original or a certified copy of the power of attorney pursuant to which they were appointed in accordance with the Constitution. Proof of identity will also be required for corporate representatives and attorneys. To be effective, evidence of the appointment as a representative or attorney must be returned in the same manner and by the same time as specified for proxy appointments below (unless previously provided).

Voting by proxy

A Vita Shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on the Vita Shareholder's behalf. If the Vita Shareholder is entitled to cast two or more votes at the Meeting, the Vita Shareholder may appoint up to two proxies to attend and vote on the Vita Shareholder's behalf.

If a Vita Shareholder appoints two proxies, each proxy may be appointed to represent a specified proportion or number of the Vita Shareholder's votes. Absent this specification, on a poll, each proxy may exercise half the votes. A proxy can be either an individual or a body corporate and need not be a Vita Shareholder. If a Vita Shareholder appoints a body corporate as proxy, the body corporate will need to appoint an individual as its corporate representative and provide satisfactory evidence of this appointment.

If a Vita Shareholder's instruction is to abstain from voting for a particular item of business, the Vita Shareholder's votes will not be counted in computing the required majority on a poll.

Where a proxy and the Vita Shareholder both attend the Meeting, the proxy's authority to speak and vote at the Meeting is suspended while the Vita Shareholder is present at the Meeting.

You may lodge a proxy online at Computershare's internet address below by following the instructions set out on the website. Vita Shareholders who elected to receive their notice of meeting and proxy electronically will have received an e-mail with a link to the Computershare site.

Proxy form and authorities may be lodged:

- by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001;
- by facsimile to Computershare on (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555; or
- electronically by visiting www.investorvote.com.au, logging in and quoting the Control Number found on the front of your proxy form. Alternatively, you can scan the QR code also found on the front of your proxy form. Intermediary Online subscribers (Custodians) may lodge their proxy by visiting www.intermediaryonline.com.

To be effective for the Meeting, a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received by Computershare Investor Services Pty Limited at the address, facsimile number or internet address above, or by the Company at its registered office, Level 3, 77 Hudson Road, Albion, Queensland, 4010 **no later than 9.00am (AEST) on Monday 8 November 2021** (being 48 hours before the commencement of the Meeting). Any proxy appointment received after that time will not be valid for the Meeting.

You can elect to receive Vita Shareholder information electronically, or obtain a replacement or second proxy form, by contacting Computershare on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia). You may also update your Vita Shareholder communication elections by logging onto www.investorcentre.com.

Vita Shareholders are encouraged to submit their proxy forms online. If you wish to post a proxy form, please be aware of current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries.

Chair acting as proxy

Vita Shareholders may appoint the Chair as their proxy. Where the Chair is appointed as a proxy by a Vita Shareholder entitled to cast a vote the Resolution and the proxy form specifies how the Chair is to vote on the Resolution (that is, a directed proxy), the Chair must vote in accordance with that direction.

If a Vita Shareholder has appointed the Chair as their proxy and no voting direction has been given in relation to the Resolution, the Vita Shareholder will be expressly authorising the Chair to exercise the undirected proxy as he sees fit. Please read the directions on the proxy form carefully, especially if you intend to appoint the Chair of the meeting as your proxy. The Chair intends to vote all undirected proxies in favour of the Resolution.

If you do not want the Chair of the Meeting to vote, as your proxy, in favour of the Resolution, you need to direct your proxy to vote against, or to abstain from voting on, the Resolution by marking the appropriate box on the proxy form.

Participating and voting online during the Meeting

The Meeting will be held as a virtual meeting through the Lumi AGM software platform.

Participating in the Meeting online enables Vita Shareholders to view the Meeting live, ask text-based and verbal questions and cast votes in the real-time poll at the appropriate times during the Meeting.

Please note that only Vita Shareholders or their appointed proxies and attorneys may ask questions once they have been verified.

Please refer to the Online Voting User Guide available at www.computershare.com.au/virtualmeetingguide. The Online Voting User Guide will also be provided in your Notice of Meeting email.

Vita Shareholders are also strongly encouraged to lodge their proxy forms before the deadline listed above even if they are participating in the Meeting online. If you do not intend, or are unable to participate in, the Meeting, please lodge your proxy forms before the deadline listed above.

By Order of the Vita Board

George Edward James Southgate

Chief Legal and Risk Office & Group Company Secretary
Vita Group Limited
Friday 8 October 2021

2 Summary of the Proposed Transaction

2.1 BACKGROUND

On Thursday 11 February 2021, Telstra announced to the ASX its intention to transition the Telstra branded retail store network, including Vita's 104 stores, to a full corporate ownership model. This was also announced to the ASX by Vita on the same date, at which time Vita confirmed that this would mean the conclusion of the TDA on the TDA Expiry Date.

Telstra also announced that it would commence discussions with Vita on transition arrangements. These discussions have resulted in the negotiation with Telstra of the Proposed Transaction.

On Friday 24 September 2021, Vita announced it had entered into the Transaction Documents with Telstra to implement the Proposed Transaction. These documents are subject to Vita Shareholder approval of the Resolution. The Proposed Transaction is detailed in Section 4.

The Vita Directors are committed to maximising value for all Vita Shareholders. The Proposed Transaction with Telstra will provide immediate financial and other benefit to Vita and Vita Shareholders and, given the imminent expiry of the TDA, Vita Directors consider it to be in the best interests of Vita Shareholders.

2.2 OVERVIEW OF THE PROPOSED TRANSACTION

The Proposed Transaction is to be effected through the Transaction Documents, and essentially involves Telstra acquiring Fone Zone, a wholly owned subsidiary of Vita which is the holding company for the corporate entities holding and operating the Retail ICT Stores and the Sprout accessories business, with Vita retaining ownership of the Artisan Business. The Proposed Transaction is summarised in further detail in Section 4.

2.3 INDEPENDENT EXPERT'S CONCLUSION

Although not legally required to do so, the Vita Directors appointed BDO as the Independent Expert to prepare a report on the merits of the Proposed Transaction.

The Independent Expert concluded that the Proposed Transaction is in the best interests of Vita Shareholders.

The complete Independent Expert's Report is included in Section 8 of this Explanatory Memorandum.

2.4 PROPOSED USE OF PROCEEDS OF FUNDS

Subject to implementation of the Proposed Transaction, it is expected that eligible Vita Shareholders receive a fully-franked Special Dividend of approximately $0.39 to $0.45 per Vita Share.. The Special Dividend will be paid in two tranches to eligible Vita Shareholders on the Special Dividend Payment Dates (expected to be on or around Friday 26 November 2021, and following completion of the Proposed Transaction, respectively).

It is expected that the remaining proceeds from the Proposed Transaction (net of costs) of approximately $35 million will be retained as working capital to fund growth of the Artisan Business. Refer to Section 4.3 below for further detail.

Vita Shareholders should note that if Vita Shareholders do not approve the Proposed Transaction, or the Proposed Transaction does not proceed, the Vita Board does not intend to authorise or pay the Special Dividend.

2.5 REASONS TO VOTE IN FAVOUR OF THE PROPOSED TRANSACTION

2.5.1 If the Proposed Transaction proceeds, it will maximise the financial benefit to Vita and Vita Shareholders given the expiry of the TDA in June 2025

The Proposed Transaction is a consequence of the impending conclusion of the TDA on the TDA Expiry Date which was initiated unilaterally by Telstra in accordance with the terms of the existing TDA.

As the Retail ICT Business is dependent on the continued operation of the TDA, the Retail ICT Business will, in any event, cease to be operated by Vita on the TDA Expiry Date. However, Vita and Vita Shareholders may not be entitled to any payment from Telstra on termination of the TDA. The Vita Directors believe that the Proposed Transaction maximises the financial benefit to Vita and Vita Shareholders given the imminent expiry of the TDA, when compared to continued operation of the Retail ICT Business until expiry of the TDA.

2.5.2 The Independent Expert has concluded that the Proposed Transaction is in the best interests of Vita Shareholders

While not legally required to do so, Vita Directors appointed BDO as Independent Expert to prepare an Independent Expert's Report in relation to the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is **in the best interests** of Vita Shareholders.

The Independent Expert specifically notes the following:

- The Proposed Transaction is both fair and reasonable to Vita Shareholders;
- The Proposed Transaction allows Vita to "realise a value for the Retail ICT Business immediately for a known, up-front consideration";
- "The Net Transaction Consideration provides greater certainty over the quantum to be received from/for this business, and removes risk associated with generating future profits from the Retail ICT Business";
- "Australian resident shareholders may be able to benefit from the related franking credits attaching to the special dividend";
- The Proposed Transaction will end the uncertainty associated with the Retail ICT Business and enable Vita to shift and streamline the focus of the Company toward a more defined goal of growing the Artisan Business.

The Vita Directors encourage you to read the complete Independent Expert's Report, which is set out in Section 8.

2.5.3 If the Proposed Transaction proceeds, Vita will be able to return the majority of the proceeds to Shareholders via the Special Dividend

If the Proposed Transaction proceeds, Vita will be able to return the majority of the proceeds to Shareholders via the Special Dividend, as outlined in Section 2.4 above.

2.5.4 If the Proposed Transaction proceeds, it will enable Vita to provide necessary additional funding to deliver on its strategy for growing the Artisan Business

If the Proposed Transaction proceeds, it will enable Vita to provide necessary additional funding to deliver on its strategy to grow the Artisan Business (refer to Section 4.3 below for further detail).

Vita's plans for the Artisan Business have been previously disclosed by Vita to the ASX, most recently on 20 August 2021 in Vita's results for the year ended 30 June 2021.

2.5.5 If the Proposed Transaction proceeds, it will enable Vita management to direct its full focus on delivering on its strategy for growing the Artisan Business

If the Proposed Transaction proceeds, it will allow the management team and employees (excluding those who will transition to Telstra under the Proposed Transaction) to focus their time and attention on the development and operation of the Artisan Business utilising the capabilities that have been gained in running the Retail ICT Business for 26 years.

2.5.6 If the Proposed Transaction does not proceed, Vita's Retail ICT Business will continue to experience the challenges of the ICT industry

The ICT industry in Australia is facing several challenges, including decreasing profits margins, increased competition, a trend towards digital shopping and market saturation of mobile phones. The company believes that it will see a better long-term return on investment in the Artisan Business, which is part of the growing and profitable skin-health and wellness industry.

2.5.7 The cessation of operation of the Retail ICT Business by Vita is inevitable and no alternative proposal has emerged

Should the Proposed Transaction not occur, the Retail ICT Business will, in any event, cease to operate when the TDA concludes on the TDA Expiry Date.

As at the date of this Explanatory Memorandum, no alternative proposal for the Retail ICT Business exists, and the Vita Directors are not aware of any alternative proposal that exists.

2.5.8 There are practical difficulties in continuing to operate the Retail ICT Business now that the date for conclusion of operation by Vita has been determined

If the Proposed Transaction does not proceed, Vita will need to operate the Retail ICT Stores in an environment where employees have no guarantee of employment beyond expiry of the TDA. Vita has already experienced employees seeking longer term employment opportunities outside of Vita for this reason. As employees leave, it will be increasingly difficult to replace them with high quality candidates.

As the end of the term of the TDA approaches, Vita will also need to manage leasing issues associated with its portfolio of more than 100 Retail ICT Store leases. For example, it may be increasingly difficult to successfully negotiate commercial terms with landlords without the leverage of tenure under the TDA,

2.5.9 The Vita Share price may fall if Proposed Transaction does not proceed

If the Proposed Transaction is not approved by Vita Shareholders and no alternative proposal emerges, the price of Vita Shares may fall, as there may be no value provided by Telstra for the cessation of the Retail ICT Business on the TDA Expiry Date, as Vita's TDA does not compel Telstra to acquire or make any payment for Vita's Retail ICT Stores on the TDA Expiry Date. Refer to Section 4.6 for an outline of the implications if the Proposed Transaction does not proceed.

2.6 DETAILED REASONS WHY YOU MAY CHOOSE TO VOTE AGAINST THE PROPOSED TRANSACTION

2.6.1 You may disagree with the Vita Directors' recommendation and the Independent Expert's conclusion

In recommending you vote in favour of the Proposed Transaction, the Vita Directors and Independent Expert have made judgements regarding future events which cannot be predicted with certainty and which may prove inaccurate.

You may hold a different view. You are not obliged to follow the recommendation of the Vita Directors or the conclusion of the Independent Expert that the Proposed Transaction is in the best interests of Vita Shareholders.

2.6.2 You may consider there is potential for an alternative proposal to emerge

If the Proposed Transaction is implemented, Vita will no longer have the Retail ICT Business.

You may consider that it is possible that a proposal (be it an alternative proposal for the Retail ICT Business, the whole of Vita, or otherwise) that is more attractive than the Proposed Transaction could materialise in the future.

The Vita Directors believe that there is no realistic alternative proposal and, as at the date of this Explanatory Memorandum, are not aware of any alternative proposal that exists.

2.6.3 You may believe that Vita should continue to operate the Retail ICT Business rather than sell it to Telstra

If the Proposed Transaction proceeds, Vita will no longer have the Retail ICT Business.

You may consider that it is in Vita’s interests to continue to operate the Retail ICT Business for the remaining term of the TDA.

2.6.4 There are risks associated with the profile of Vita post implementation of the Proposed Transaction

If the Proposed Transaction proceeds, there will be a change in the risk profile to which Vita Shareholders are exposed, as a result of Vita no longer having the Retail ICT Business. That is, Vita's business will be focused on operating the Artisan Business. Refer to Section 5.9.2 for further information.

2.7 TAX CONSEQUENCES

Refer to Section 6.1 for further information.

Section 6.1 is a general statement as to the likely Australian tax consequences for Vita Shareholders. However, it is not intended to provide taxation advice in respect of the particular circumstances of any individual Vita Shareholder. We strongly recommend that Vita Shareholders should obtain their own taxation advice with respect to the Proposed Transaction and the proposed Special Dividend.

3 Key Questions Answered

Set out below are summary answers to some questions that Vita Shareholders may have in relation to the Proposed Transaction and the Special Dividend. This information is a summary only, and should be read in conjunction with the remainder of this Explanatory Memorandum.

Question	Answer
A. QUESTIONS ABOUT THE PROPOSED TRANSACTION	
Why have I received this Explanatory Memorandum?	The Proposed Transaction will involve Telstra acquiring Fone Zone, a wholly owned subsidiary of Vita which is the holding company for the corporate entities holding and operating the Retail ICT Stores and the Sprout accessories business. As the Proposed Transaction involves Vita disposing its main undertaking, it requires Vita Shareholders' approval under Listing Rule 11.2. This Explanatory Memorandum is intended to help you, as a Vita Shareholder, decide how to vote on the Resolution relating to the Proposed Transaction.
What is the Proposed Transaction?	The Proposed Transaction essentially involves Telstra acquiring Fone Zone, a wholly owned subsidiary of Vita which is the holding company for the corporate entities holding and operating the Retail ICT Stores and the Sprout accessories business, with Vita retaining ownership of the Artisan Business. If Vita Shareholders approve the Resolution and the other conditions in the Transaction Documents are satisfied or waived, it is proposed that part of the proceeds from the Proposed Transaction will be returned to Vita Shareholders in the form of the Special Dividend. See Section 4.3 for further information.
Who is Telstra?	Telstra is Australia's largest telecommunications company by market share and a member of the S&P/ASX 20. Its principal activities are to provide telecommunications and information services to domestic and international customers. Telstra is a counterparty to the TDA. Further information on Telstra is available on its website www.telstra.com.au.
What has the Independent Expert said?	The Independent Expert has concluded that the Proposed Transaction is in the best interests of Vita Shareholders. The full report of the Independent Expert is set out in Section 8.
When will the Proposed Transaction be implemented?	Subject to the Resolution being passed and the satisfaction or waiver of any outstanding conditions under the Transaction Documents, the Proposed Transaction will be implemented on the Completion Date (which is expected to be Friday 12 November 2021). Refer to Section 4.2 for the current indicative timetable (which is subject to change) and Section 4.9 regarding conditions precedent to which the Proposed Transaction is subject.
What will be the effect of the Proposed Transaction?	Vita will no longer have the Retail ICT Business, which is to be acquired by Telstra as part of the Proposed Transaction, but will retain the Artisan Business. Vita will remain listed on the ASX. Eligible Vita Shareholders will receive the Special Dividend. Refer to Sections 4.3 and 4.5 for further information.
Will Vita remain listed on the ASX?	Yes, Vita will remain listed on the ASX, whether the Proposed Transaction is implemented or not. However, there will be a change in the risk profile to which Vita Shareholders are exposed, if the Proposed Transaction proceeds, as a result of Vita's business being focused on operating the Artisan Business and no longer having the Retail ICT Business. Refer to Section 5.9.2 for further information.
Are there any potential disadvantages associated with the Proposed Transaction?	While the Vita Directors unanimously recommend that you vote in favour of the Resolution approving the Proposed Transaction for the reasons described in Section 2.5, Vita Shareholders should be aware of the potential reasons to

Question	Answer
	vote against the Proposed Transaction and risks associated with the Proposed Transaction and Vita described in Sections 2.6 and 0, respectively.
Are there any risks for me if the Proposed Transaction proceeds?	Yes. You will continue to be exposed to the risks of an investment in the Vita Shares. In addition, there will be additional risks associated with the change in risk profile of Vita as a result of no longer operating the Retail ICT Business. Refer to Section 0.
What will happen if the Proposed Transaction does not proceed?	If the Resolution is not approved by Vita Shareholders, the Proposed Transaction will not be implemented, the Special Dividend will not be authorised or paid, and Vita will continue to operate the Retail ICT Business until the TDA Expiry Date of 30 June 2025. See Section 4.6 for further details.
Under what scenarios can Telstra or Vita terminate the Proposed Transaction?	The Share Sale Agreement provides for various circumstances where either Telstra or Vita has the right to terminate that agreement and thereby withdraw from the Proposed Transaction. These include if any of the conditions precedent are not satisfied or waived, if any Vita Director fails to recommend, adversely modifies, or withdraws their recommendation of the Proposed Transaction prior to the Meeting or if any party is in material default under the Share Sale Agreement and fails to remedy the default by the earlier of 10 business days of a request to do so or Completion. Refer to Section 4.9 for further information.
What is the Special Dividend?	Subject to implementation of the Proposed Transaction, it is proposed that eligible Vita Shareholders receive a fully-franked Special Dividend of approximately \$0.39 to \$0.45 per Vita Share. The Special Dividend will be paid in two tranches, being the Major Distribution (approximately \$60 to \$65 million, equating to between \$0.36 to \$0.39 per Vita Share, to all persons registered as Vita Shareholders as at the Special Dividend Major Distribution Record Date expected to be 6.00pm (AEST) on Friday 19 November 2021) and the Final Distribution (presently anticipated to be in the range of \$5 to \$10 million, equating to between \$0.03 to \$0.06 per Vita Share, to all persons registered as Vita Shareholders as at the Special Dividend Final Distribution Record Date expected to be following the Special Dividend Major Distribution Record Date) on the Special Dividend Payment Dates (expected to be on or around Friday 26 November 2021 and following completion of the Proposed Transaction, respectively). Vita Shareholders should note that if Vita Shareholders do not approve the Proposed Transaction, or the Proposed Transaction does not proceed, the Vita Board does not intend to declare or authorise or pay any Special Dividend.
Will the Special Dividend be franked?	It is currently expected that the Special Dividend will be fully-franked.
Has Vita received an alternative proposal from another party?	No. As at the date of this Explanatory Memorandum Vita has not received an alternative proposal to the Proposed Transaction from another party.
B. QUESTIONS ABOUT VITA DIRECTORS' RECOMMENDATIONS AND INTENTIONS	
Do the Vita Directors recommend the Proposed Transaction?	The recommendations of the Vita Directors, and their reasons for those recommendations, are set out in Section 4.8. The Vita Directors unanimously recommend that Vita Shareholders vote in favour of the Resolution to approve the Proposed Transaction.
How do the Directors intend to vote in respect of their own shares?	All Vita Directors intend to vote in favour of the Proposed Transaction, in respect of all Vita Shares held by them or in which they otherwise have a relevant interest. Refer to Section 4.8.

Question	Answer
C. QUESTIONS ABOUT VOTING AND THE EXTRAORDINARY GENERAL MEETING	
What specifically are Vita Shareholders voting on?	Vita Shareholders will be voting to approve the Proposed Transaction as set out in the Notice of Meeting in Section 1.
What is required for the Resolution to be approved?	The Resolution is an ordinary resolution. For the Resolution to be passed, 50% of eligible votes will need to be cast at the Extraordinary General Meeting (online or by proxy, corporate representative or attorney) in favour of the Resolution. Telstra and any other person who will obtain a material benefit as a result of the Proposed Transaction (except for a benefit solely by reason of being a Vita Shareholder) and their Associates are excluded from voting on the Resolution.
If I wish to support the Proposed Transaction, what should I do?	If you wish to support the Proposed Transaction, you should vote in favour of the Resolution to approve the Proposed Transaction, by attending the Extraordinary General Meeting in person, by corporate representative, attorney, or by proxy.
What if I cannot attend the Extraordinary General Meeting?	If you cannot attend the Extraordinary General Meeting online, you can still vote (if you are eligible to vote) on the Resolution by appointing an attorney or corporate representative or by completing, signing and returning your proxy form, which accompanies this Explanatory Memorandum, in accordance with the instructions on the form and the Notice of Meeting. Proxy forms must be received by the Share Registrar by no later than 9.00am (AEST) on Monday 8 November 2021 (being 48 hours before the commencement of the Extraordinary General Meeting).
When will the results of the Extraordinary General Meeting be known?	The results of the Extraordinary General Meeting will be available shortly after its conclusion and will then be released to the ASX.
What are my options?	As a Vita Shareholder who is eligible to vote on of the Resolution your options are to: ▪ vote (online, by attorney or corporate representative or by proxy) in favour of the Resolution at the Extraordinary General Meeting to be held on Wednesday 10 November 2021 to approve the Proposed Transaction; or ▪ vote (online, by attorney or corporate representative or by proxy) against or abstain from voting, in respect of the Resolution at the Extraordinary General Meeting to be held on Wednesday 10 November 2021 to approve the Proposed Transaction; or ▪ do nothing.
How do I know if I am eligible to vote on the Resolution?	You may vote at the Extraordinary General Meeting if you are on the Vita Share Register at 6.00pm (AEST) on Monday 8 November 2021. Only Telstra and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a Vita Shareholder) and their Associates have voting exclusions applied to their votes on the Resolution.
D. GENERAL QUESTIONS	
What are the tax implications of the Proposed Transaction for existing Vita Shareholders?	A general description of the tax implications of the Proposed Transaction are included in Section 6.1.
What are the tax implications of the Proposed Transaction for Vita?	The Group does not expect to have a tax liability arising from the transaction.

Question	Answer
Can I sell my Vita Shares now?	You can sell your Vita Shares at any time. However, if you sell your Vita Shares on market before 6.00pm (AEST) on Monday 8 November 2021: ▪ you will not receive any Special Dividend. You will also not receive any Special Dividend if you sell your Vita Shares before 6.00pm (AEST) on Friday 19 November 2021; ▪ you will not be eligible to vote on the Proposed Transaction; and ▪ there will be different tax consequences for you compared to those that would arise under the implementation of Proposed Transaction.
What should I do now?	You should: ▪ read this Explanatory Memorandum in full before making any decision on the Proposed Transaction; ▪ if necessary, obtain professional financial or legal advice, as this Explanatory Memorandum does not take into account the financial situation, investment objectives and particular needs of any individual Vita Shareholder; ▪ determine whether and how you wish to vote on the Resolution; and ▪ if you wish to vote on the Resolution, vote at the Extraordinary General Meeting in person, or by attorney, corporate representative or proxy.
Further questions?	If you have any questions about the Proposed Transaction, or you would like additional copies of this Explanatory Memorandum or proxy form, please contact: George Southgate Chief Legal and Risk Office & Group Company Secretary george.southgate@vitagroup.com.au +61412 514 030

4 Proposed Transaction and Resolution

4.1 OVERVIEW

The Meeting referred to in this Explanatory Memorandum is being held so that Vita Shareholders can consider the Resolution to approve the Proposed Transaction under Listing Rule 11.2.

4.2 INDICATIVE TIMETABLE

Subject to the Listing Rules requirements, the Company anticipates implementation of the Proposed Transaction and payment of the Special Dividend in accordance with the timetable set out on page iii.

4.3 USE OF PROCEEDS FROM THE PROPOSED TRANSACTION

Vita Shareholders should note that if Vita Shareholders do not approve the Proposed Transaction, or the Proposed Transaction does not proceed, the Vita Board does not intend to declare or authorise or pay any Special Dividend.

Subject to implementation of the Proposed Transaction, it is proposed that eligible Vita Shareholders receive a fully-franked Special Dividend of approximately $0.39 to $0.45 per Vita Share. The Special Dividend will be paid in two tranches, being the Major Distribution (approximately $60 to $65 million, equating to between $0.36 to $0.39 per Vita Share, to all persons registered as Vita Shareholders as at the Special Dividend Major Distribution Record Date expected to be 6.00pm (AEST) on Friday 19 November 2021) and the Final Distribution (presently anticipated to be in the range of $5 to $10 million, equating to between $0.03 to $0.06 per Vita Share, to all persons registered as Vita Shareholders as at the Special Dividend Final Distribution Record Date expected to be following the Special Dividend Major Distribution Record Date) on the two Special Dividend Payment Dates (expected to be on or around Friday 26 November 2021, and following completion of the Proposed Transaction, respectively).

Vita intends to retain the remaining proceeds from the Proposed Transaction (net of costs) of approximately $35 million as working capital to fund growth of the Artisan Business.

4.4 FINANCIAL EFFECT OF PROPOSED TRANSACTION ON VITA

The Proposed Transaction, if completed, may have the following effect (using the consolidated financial statements of the Company as at 30 June 2021):

Measure '$000s	Before the effect of the Transaction (A)	Pro forma position without ICT Business (B)	Percentage change(B-A)/A
Consolidated total assets	$ 272,242	$ 79,129	(70.9%)
Consolidated total equity interests	$ 141,098	$ 56,165	(60.2%)
Consolidated revenue (12 months to 30 June 2021)	$ 633,532	$ 28,392	(95.5%)
Consolidated EBITDA (pre-AASB 16) (12 months to 30 June 2021)	$ 50,359	($ 7,065)	(114.0%)
Consolidated profit before tax (12 months to 30 June 2021)	$ 26,338	($ 8,039)	(130.5%)

An unaudited pro forma balance sheet following implementation of the Proposed Transaction and payment of the Special Dividend is set out in Section 5.8.5 below.

4.5 IMPLICATIONS OF PROPOSED TRANSACTION PROCEEDING

If the Proposed Transaction proceeds, Vita will be entitled to the proceeds from the Proposed Transaction, which will be used as set out in Section 4.3 above. Vita and Telstra will provide certain transitional services to each other for a period of approximately eight months as detailed in Section 4.9.2 below. Further information on the profile of Vita post-implementation of the Proposed Transaction is set out in Section 5.8.

4.6 IMPLICATIONS OF PROPOSED TRANSACTION NOT PROCEEDING

If the Proposed Transaction does not proceed (including as a result of the Resolution not being approved by Vita Shareholders), the Retail ICT Business will, in any event, cease to operate on the TDA Expiry Date of 30 June 2025, as the Retail ICT Business is dependent on the continued operation of the TDA. Vita will need to continue to operate the Retail ICT Business within the framework of the TDA until that date, whilst also directing focus towards the growth of the Artisan Business.

Vita Shareholders will retain their current investment in Vita Shares and in doing so, will continue to retain the benefits of an investment in Vita as an ASX-listed entity, and will continue to be exposed to the risks presently associated with this investment. These risks include general risks of holding shares and risks that are specific to Vita's business as described in Sections 5.9.1 and5.9.3, respectively.

Finally, if the Proposed Transaction does not proceed, neither the advantages of the Proposed Transaction outlined in Section 2.5, nor the potential reasons to vote against the Proposed Transaction outlined in Section 2.6, will be relevant to Vita Shareholders. In particular, the Vita Board will not declare or authorise or pay any Special Dividend if the Proposed Transaction does not proceed.

4.7 LEGAL AND REGULATORY REQUIREMENTS

The Resolution seeks the approval of Vita Shareholders to the Proposed Transaction, for the purposes of Listing Rule 11.2.

Listing Rule 11.2

Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Vita Directors consider the Proposed Transaction to be a disposal of Vita's main undertaking for these purposes.

The Resolution seeks the required shareholder approval to the Proposed Transaction under and for the purposes of Listing Rule 11.2.

If the Resolution is passed, Vita will be able to proceed with the Proposed Transaction and the consequences outlined in Section 4.5 will follow.

If the Resolution is not passed, Vita will not be able to proceed with the Proposed Transaction and the consequences outlined in Section 4.6 will follow.

Listing Rule 11.1

Listing Rule 11.1.3 (which is a subset of Listing Rule 11.1) provides that where an entity proposes to make a significant change to the nature or scale of its activities, the ASX may require the entity to meet the requirements of the Listing Rules as if it were applying for admission to the official list.

Based on information presently available, the ASX has determined that Listing Rule 11.1 does not apply to the Proposed Transaction.

Voting exclusion

Some Vita Shareholders may not be allowed to vote on the Resolution set out in the accompanying Notice of Meeting. Please refer to the voting exclusion statement set out in the Notice of Meeting set out in Section 1 in accordance with Listing Rules 11.2 and 14.11.

4.8 VITA DIRECTORS' RECOMMENDATION AND VOTING INTENTIONS

Vita Directors unanimously recommend, after carefully considering each of the advantages and disadvantages of, and risks associated with, the Proposed Transaction and having regard to the conclusion of the Independent Expert and independent advice, that Vita Shareholders should vote in favour of the Proposed Transaction.

In reaching its recommendation, the Vita Directors have had regard to a range of factors including those set out in Section 2.5 above.

The Vita Directors recommend that all Vita Shareholders read and carefully consider all the material set out in this Explanatory Memorandum before deciding how they will vote.

All Vita Directors intend to vote in favour of the Proposed Transaction, in respect of all Vita Shares held by them or in which they otherwise have a relevant interest. The Vita Directors do not have any material personal interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity of Vita Shareholders, as set out in Section 5.7.3.

4.9 SUMMARY OF TRANSACTION DOCUMENTS

The Transaction Documents for the Proposed Transaction are summarised below. It should be noted that these are only the principal documents for the Proposed Transaction and there are or will be a number of ancillary or additional documents necessary to implement the Proposed Transaction.

4.9.1 Share Sale Agreement

The key terms of the Share Sale Agreement are as follows:

- (**Seller**) Vita.
- (**Purchaser**) Telstra Corporation Limited or its nominee.
- (**Securities being acquired**) The Proposed Transaction relates to the acquisition of all the shares in Fone Zone (**Shares**). Fone Zone and its subsidiaries (**Target Group**) hold and operate the Retail ICT Stores, the Sprout accessories business and TBTC Townsville, and are the employer of the employees engaged in those businesses (**Sale Businesses**).
- (**Consideration**) The Purchaser has agreed to pay A$110 million for the Shares and termination of the TDA subject to:
  - a positive or negative adjustment, if the net working capital (excluding net working capital relating to the Purchaser) of the business at 30 September 2021 varies from a nominated target; and
  - a positive or negative adjustment for any debt like items (including the net amount owing to/from the Purchaser) at 30 September 2021.
- (**Locked Box**) The Purchaser will also be entitled to an adjustment on a dollar for dollar basis for any amounts paid by members of the Target Group to other members of the Vita Group after 30 September 2021, other than in the ordinary course of business or as agreed in the Share Sale Agreement.
- (**Conditions Precedent**) The Proposed Transaction is conditional on, amongst other things, the following (which if not fulfilled or waived, the Proposed Transaction will not proceed):
  - Vita has passed, in accordance with Listing Rule 11.2, a resolution in general meeting approving the Proposed Transaction and has complied with all requirements of Listing Rule 11.2 in respect of the meeting;
  - All necessary approvals required under the contracts, agreements and leases identified as material to the Purchaser are obtained without conditions or requirements, or with conditions and requirements that are acceptable to the parties (each acting reasonably);
  - That at least 50 per cent of nine Tier 1 key employees and 50 per cent or 19 Tier 2 key employees identified by the Purchaser remain employed by Vita People and have not provided notice of resignation of their employment to Vita People.
- (**Recommendation**) The Purchaser can terminate the agreement if any Vita Director fails to recommend or withdraws or adversely modifies their recommendation of the Proposed Transaction prior to the Meeting.
- (**Conduct of business prior to Completion**) The Sale Businesses are to be conducted in the ordinary course pending completion subject to customary specific restrictions and exceptions.
- (**Scheduled Completion Date**) Friday 12 November 2021
- (**Journals**) Vita to grant to Telstra, from Completion a worldwide, irrevocable, royalty-free, assignable, sublicenceable and purpose-free licence to use and develop the Journals custom-build performance management platform software (with any developments and modifications by Telstra to be owned by Telstra).
- (**Head Office leases**) Vita to retain the leases of Vita Place, 77 Hudson Rd, Albion and the contact centre at 20 Hudson Rd, Albion, subject to a subleases or sublicences of certain areas to Fone Zone.
- (**Non-Transferring Vita People Employees**) The senior management team and approximately 45 other Vita People employees will either transfer to the Artisan Business, or remain the responsibility of Vita.

- (**Vita Corporate Guarantees**) The Purchaser to replace the bank guarantees provided as part of the Sale Businesses at Completion and use reasonable endeavours to procure releases of any Vita corporate guarantees of obligations of the Target Group and to indemnify Vita Group for any liabilities under the guarantees after 30 September 2021.
- (**Shared Costs**) Vita and the Purchaser will share costs in connection with certain building expenses to separate the activities of the Sale Businesses and the Artisan Business in the head office, head office and contact centre exit costs, legal expenses associated with approvals required under contracts and leases as a result of the Proposed Transaction and clawback of lease incentives, as set out in the agreement.
- (**Warranties**) Vita provides customary warranties regarding the Target Group and its businesses and affairs, subject to customary liability qualifications, acknowledgements and limitations, including in respect of minimum claim amounts, claim time limitations, maximum claim cap, no consequential loss and third-party payment reimbursements.
- (**Indemnities**) Vita indemnifies the Purchaser for any tax liability of the Target Group prior to 30 September 2021. Vita also provides indemnities in respect of a number of specific issues identified by the Purchaser as part of their due diligence.
- (**Warranty and Indemnity Insurance**) The Purchaser will take out warranty and indemnity insurance at the cost of Vita and, other than in respect of the specific indemnities, the Purchaser's recourse in respect of breach of the warranties and indemnities under the Share Sale Agreement will be limited to its recourse under the insurance, with limited exceptions.
- (**Non-compete**) Vita agrees to a restrictive covenant that includes a prohibition that it will not engage in a business or an activity that is the same as the Sale Businesses, or any material part of the Sale Businesses, either directly or indirectly, for a period of time not exceeding three years from the Completion Date anywhere in the states and territories of Australia where the Sale Businesses are carried on.

4.9.2 Transitional Services Agreement

- Under this agreement Telstra and Vita each agree to provide the other the following transitional services up to 30 June 2022 without payment:
  - Reasonable access to key personnel
  - Reasonable access to IT systems and data
  - Provision of supplier services
  - Provision of support services.
- Each party indemnifies the other party for certain liabilities incurred in connection with the provision or receipt of the transitional services.

5 Profile of Vita Group

5.1 INTRODUCTION

Vita is an ASX-listed entity (ASX:VTG). Vita's wholly owned subsidiary Fone Zone was founded by Maxine Horne, who is currently Chief Executive Officer, and commenced trading in 1995 as a Telstra licensed dealer. Vita was incorporated as Fone Zone Group Limited on 1 March 2005, and listed on ASX in 2005 (formerly ASX: FZN). Vita's principal activity initially was selling of ICT products and services through its networks and brands, in particular the Retail ICT Store network and the Retail ICT Business before it moved into the Artisan Business in 2017.

Vita employs approximately 1,400 people across its network of brands and has reported revenues of $633.5 million in the year ended 30 June 2021. Vita currently has more than 120 points of presence across Australia, consisting of Retail ICT Stores, a Telstra Business Technology Centre and Artisan Aesthetic Clinics.

5.2 HISTORY

Year	Activity
1995	First Fone Zone opened at Pacific Fair on the Gold Coast, Queensland
2000	Fone Zone signs 5-year Telstra agreement
2004	Fone Zone opens 100th Fone Zone store at Hornsby
2005	Fone Zone certified by Customer Service Institute of Australia
2005	Fone Zone acquires One Zero Communications Pty Ltd, including first Telstra Stores
2005	Fone Zone signs new 5-year Telstra Agreement
2005	Fone Zone listed on ASX
2007	Fone Zone Group acquires Next Byte Holdings Pty Ltd (Next Byte business)
2008	Fone Zone Group Limited changes name to Vita Group Limited
2009	Vita Group signs Master Licence Agreement, allowing Vita to roll out to 100 Telstra stores
2010	Vita's first Telstra Business Centre opens
2011	Vita Group launches accessory brand Sprout
2014	Vita Group opens 100th Telstra store
2015	Vita Group launches Vita Foundation and announces Act for Kids as hero charity partner
2016	Vita Enterprise Solutions awarded Telstra Enterprise Partner of the Year
2016	Vita Group closes Next Byte business
2017	Vita / Telstra partnership extends to 2023
2017	Vita Group expands into skin-health and wellness category with acquisition of Clear Complexions
2018	Vita Group launches new brand Artisan Aesthetic Clinics
2019	Vita Group acquires cosmedcloud™ and Artisan grows to 16 clinics
2020	Vita / Telstra Master Licence Agreement extended to 2025
2021	Artisan expands to 20 clinics
2021	Vita Group sells SQDAthletica business to focus on Retail ICT and Artisan

5.3 OVERVIEW OF OPERATIONS

5.3.1 Retail ICT Business

In the Retail ICT Business, Vita operates 104 Retail ICT Stores under the TDA. Retail ICT Stores are categorised into 18 geographic areas and five regions, across North Queensland; South-East Queensland and Northern NSW; West Australia; Victoria, Tasmania, and Southern NSW; and Central NSW. The leadership team that leads and supports the business is comprised of Vita ICT's Retail General Manager; three Regional General Managers and 18 Area Managers, all of whom are geographically dispersed to align to the geographies of the Retail ICT Stores.

Each Retail ICT Store is staffed by a Business Manager and several Sales Consultants, who serve customers in-store by consulting with them to understand their needs and goals, and offering ICT and associated solutions that will add value to the customer, and assist them to achieve their goals.

The Retail ICT Business includes the Sprout business, which sells technology accessories such as speakers, chargers, headphones and other mobile phone accessories. Sprout accessories are sold to Vita-owned Telstra branded stores, Telstra branded stores owned by other licensees, as well as other retailers outside of the Telstra store network.

The stores are supported by a dedicated Retail Operations team, and the broader Retail ICT business (stores and Sprout) is supported by a shared services function which includes People & Performance, Property, Legal, Assurance, Risk, Compliance, Finance, and IT.

5.3.2 Artisan Business

Artisan is Vita's skin health and wellness business that provides non-surgical aesthetic treatments and products to clients through its clinics. Artisan currently owns and operates 20 clinics, categorised into three geographic areas: North Queensland, South Queensland and Northern NSW, and NSW and Victoria. 14 clinics are branded as Artisan, and 6 clinics are currently operating under other brands, having been recently acquired by Vita.

The Artisan Business has a General Manager who reports to the COO. Reporting to the General Manager are three Area Managers, geographically dispersed to best align to the geographies of the clinics. Artisan's clinical team receives medical oversight and governance from a Medical Director and Clinical Nurse Director, as well as the support team. Support is further provided through a decentralised clinical training and education program.

Each clinic is staffed by a Clinic Development Manager, Cosmetic Nurses, Dermal Therapists, and a Client Experience Consultant, as well as (being supported by) several doctors across the clinic network. The team consult with clients to understand their needs and goals, and offer tailored treatment plans that will add value to the client and assist them to achieve their goals. All team members working within Artisan are employed under a separate industrial instrument to the Retail ICT Business, under Artisan Aesthetics Group.

Artisan clinics are supported by dedicated support teams, as well as teams shared with ICT functions.

Artisan's services are governed by a set of Standard Operating Procedures (SOPs), which are regularly assessed to ensure compliance to all relevant laws and guidelines. The way these services are provided are governed by Vita's in-house in-clinic software, cosmedcloud™.

5.3.3 Customer Service Focus

Vita's executional framework is predicated on CARE (Customers Are Really Everything). CARE has been part of Vita's culture since 1996. The framework provides the team with guidance on how to think about their activities and time in executing our strategy, in line with our values. The three pillars of CARE are:

1) Planning and Coaching

Vita expect leaders to spend the majority of their time in this pillar undertaking activities in the operating rhythm that include forecasting, business planning, people planning, rostering, observation, coaching, conducting one on ones, performance reviews, and more. All other team members will spend about 10-15% of their time in this pillar, undertaking activities including reviewing individual reports, preparing for coaching sessions, setting goals, and more.

2) Personalised Service

This pillar represents the largest time investment for the Vita team and is the ultimate goal of all activities. The Purpose Statement comes to life through personalised service: creating value through the team's expertise and consulting skills. Relevant to all team members in Vita is the Insight Consulting Model, which is the essence of the personalised service pillar, and visually depicts value creation from a customer's perspective. The value curve is underscored by Vita's consulting framework, which in turn is aligned to skills and capability required, tools, and cross-functional teamwork.

3) Community Engagement

All team members are encouraged to participate in this pillar. 'Community' refers to the local communities within which Vita operates and serves, as well as the Vita community of team members and other stakeholders. This pillar includes activities such as local marketing and community events, community assistance in times of need (cyclones, floods, bushfires, etc), Vita Foundation activities (including payroll giving, volunteering, and community grants), team building activities, and team mate check-ins (e.g. mental health, OH&S)

5.3.4 Values

Everything that Vita does is governed by a set of eight values:

- Our people and customers are everything to us
- Always do the right thing
- We're proud to be profitable: as profitability equals opportunity
- Every action is taken with the benefit of the whole team in mind
- The collective wisdom and effort of the team always outperforms the individual
- Love what you do
- You get what you work for
- Dare to be different as creativity drives innovation

5.4 VITA BOARD

As at the date of this Explanatory Memorandum, Vita Board comprises the persons noted below.

- Dick Simpson (Independent Non-Executive Director, Chair);
- Maxine Horne (Executive Director, Chief Executive Officer);
- Neil Osborne (Independent Non-Executive Director);
- Paul Wilson (Independent Non-Executive Director); and
- Paul Mirabelle (Independent Non-Executive Director).

The biographies of the Vita Board as at the date of this Explanatory Memorandum are as follows:

Dick Simpson **Independent Non-Executive Director, Chair**	Dick brings considerable experience to the Vita Board and has held Chief Executive Officer roles in both the Telecommunications and Computing industries. Dick started his career in the information technology sector, spending 20 years with IBM and then Unisys, in both Australia and the USA. He then joined Optus, was Chief Operating Officer at NRMA and subsequently Telstra, where he was Group Managing Director, Mobiles. He moved to Hong Kong as President, Telstra International where he was also Chairman of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator). Dick became a Director of Vita Group in September 2005, and has served on the Remuneration and Nomination Committee, and the Audit, Compliance and Risk Committee. He is an advisor to the board of Tibra Capital (a private company), is a Director of Chevalier College in Bowral, NSW, Chairman of the Chevalier Foundation and an advisor to several private and public companies.
Maxine Horne **Executive Director, Chief Executive Officer**	Maxine has more than 35 years' experience in business, including strategy development and execution, leadership, operations, sales, customer service, marketing, and product development. Since founding Vita Group in 1995, Maxine has guided the growth and evolution of the Group, expanding the business from a single store to a national publicly listed company. As founder and CEO of Vita, she leads the leadership team and is responsible for the strategic direction of the Group, including operational leadership of the company's skin-health and wellness channel. Her focus is on achieving results through the development of Vita's people and culture. Maxine has received several awards and honours throughout her career, including the Courier Mail Business Person of the Year in 2019, induction into the Businesswoman's Hall of Fame in 2016, the EY Entrepreneur of the Year Award (Northern Region) in 2014, QBR Business Woman of the Year in 2006 and the President's Award at the NSW Australian Retail Association Awards for Excellence in 2005.

Paul Mirabelle **Independent Non-Executive Director**	Paul brings more than 30 years' experience as an advisor, company director and CEO to the Vita Board, with a proven track record in leading complex businesses, particularly within the medical sector, within Australia and internationally. Previously, Paul was a barrister and solicitor in Canada, and partner at the Boston Consulting Group (BCG) in Sydney. Since leaving BCG in 2000, Paul has held various executive roles at Telus Corporation in Canada, and was CEO of (then) listed diagnostic imaging group MIA Group Ltd (ASX: MIA) and audiology group National Hearing Care Pty Ltd. He has served on several boards including acting as Executive Chairman of the National Home Doctor Service. In addition to his role with Vita, Paul is also Non-Executive Director of Greencross Limited, Non-Executive Director of Healthshare Pty Ltd and Non-Executive Director of Revasum Pty Ltd (ASX: RVS). Paul became a Director of Vita in January 2019, is a member of the Audit, Compliance and Risk Committee, and is Chairman of the Remuneration and Nomination Committee. Paul holds a Bachelor of Laws and a Master of Business Administration.
Paul Wilson **Independent Non-executive Director**	Paul is a co-founder and Director of ASX listed Bailador Technology Investments Ltd (ASX:BTI), which focuses on expansion capital opportunities in the information technology sector. This role provides Paul with exposure to the most up to date approaches and business models to take advantage of the rapidly changing technology landscape. Paul's business background includes senior positions with leading private equity house, CHAMP, the media focused investment house, Illyria, and MetLife Investments in London. Paul's other current board positions are: Director of SiteMinder (cloud based hotel inventory distribution); Chairman of Stackla (user generated content platform); Director of Straker Translations (ASX: STG) (machine and crowd sourced language translation) and Director of the Rajasthan Royals Indian Premier League cricket franchise. Paul became a Director of the Vita Group in May 2014, and is a member of the Audit, Compliance and Risk Committee, and the Remuneration and Nomination Committee. Paul holds a Bachelor of Business, and is a Fellow of the Financial Services Institute of Australia, a qualified Chartered Accountant, and a member of the Australian Institute of Company Directors.
Neil Osborne **Independent Non-executive Director**	Neil was formerly a partner with one of the world's largest consulting and technology services firms, Accenture. He has over 35 years' experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd (CML) in corporate and operating roles across finance, supply chain, strategic planning and merchandising, including the positions of Myer Chief Operating Executive (Chief Financial Officer and Supply Chain) and CML Group General Manager, Retail Services (Marketing, Strategy and Property). Neil is Chairman of Australian United Retailers (trading as Foodworks) and a Non-Executive Director of Beacon Lighting Group Limited (ASX:BLX). Neil became a Director of Vita Group in June 2007, and is Chairman of the Audit, Compliance and Risk Committee, and a member of the Remuneration and Nomination Committee. Neil holds a Bachelor of Commerce, and is a Certified Practising Accountant and a Fellow of the Australian Institute of Company Directors.

5.5 VITA'S KEY MANAGEMENT

Brief profiles of the key members of Vita's management team as at the date of this Explanatory Memorandum are as follows:

Maxine Horne **Chief Executive Officer**	See biography above at Section 5.4.
Pete Connors **Chief Operating Officer**	Pete leads the customer-facing channels within Vita Group, including the information and communication technology (ICT) channel, which includes Telstra-branded retail stores, the Sprout accessories business, and the Artisan Aesthetic Clinics channel. Pete is responsible for leading these teams to deliver the very best customer experience. Prior to joining Vita Group in 2008, Pete held various general management roles in global manufacturing and product development organisations. His previous roles include General Manager Residential at ASSA ABLOY Australia, General Manager Industrial

	Division at EGR, General Manager Domestic and International Marketing and Product Development at GWA Caroma. Pete holds a Bachelor of Commerce.
Andrew Ryan **Chief Financial Officer**	Andrew leads the finance, property and facilities division which includes property and support services, management reporting, planning, treasury and financial accounting, tax, accounts payable, accounts receivable, banking, and investor relations functions. Prior to joining Vita Group in 2012 in the role of Financial Controller, Andrew worked in several senior leadership positions spanning the retail, financial services, manufacturing and insurance sectors in companies across Australia and the United Kingdom. Previous roles included Finance Manager at Credit Union Australia and Financial Controller at The Fresh Olive Company in the UK. Andrew holds a Bachelor of Commerce, Accounting and is a member of CPA Australia.
Kendra Hammond **Chief People Officer**	Kendra leads the People and Performance (P&P) division, which includes human resources (HR), talent acquisition, learning and development, and organisational development. P&P is integral in driving the group's strategy to create and enable high-performing teams, which underpins the group's strategy for the future. Kendra joined Vita Group in 2007 and has undertaken roles including human resources management, organisational development, and project management for the group. She was appointed to the role of Chief People Officer in 2011. Prior to joining Vita Group, Kendra worked in various senior corporate roles in HR as well as retail sales leadership. Previous roles include HR Strategy Advisor at Suncorp and Area Manager at National Australia Bank. Kendra holds a Bachelor of Commerce.
Justin Maskey **Chief Technology Officer**	Justin leads the IT division which includes IT operations, business intelligence, enterprise solutions and medical tech solutions. With a 20-year tenure at Vita Group, Justin has and continues to drive the evolution of the group IT function to support business outcomes, including the establishment of core analytics capability, the use of data as a competitive advantage and several key group-wide initiatives. Justin's key achievements in his time at Vita include the early adoption of BI analytics capability, ERP upgrade and enhancement initiatives and leading Vita's digital transformation program with the deployment of Salesforce and Office 365 across the group.
Rebecca McLeod, **Chief Strategy and Communications Officer**	Rebecca leads the Strategy and Communications division, which includes strategic planning, group projects, internal communications, public relations, marketing, procurement, sustainability and philanthropy. Prior to joining Vita Group in 2011, Rebecca held several senior leadership and management consulting roles in industries including banking, insurance, mining and transport, with a focus on project management, organisational effectiveness, leadership development and learning. Previous roles include Principal Advisor at Rio Tinto and Manager Leadership and Organisational Capability at Suncorp. Rebecca holds a Bachelor of Arts (Psychology) and a Graduate Certificate in Business Administration and is currently completing a Master of Business Administration.
George Southgate, **Chief Legal and Risk Officer**	George leads the Legal and Risk division, which includes legal, group assurance, risk and compliance. George is also the group's Company Secretary and leads the group's corporate governance function. Prior to joining Vita in 2018, George worked in private practice acting for various clients in the government and private sector specialising in litigation with a focus on commercial disputes and health regulation. His most recent appointment was as a Senior Associate at national Australian law firm, Lander & Rogers. George holds a Bachelor of Laws (Honours), a Graduate Diploma in Legal Practice (Distinction), a Master of Laws (Health Law), and a Bachelor of Nursing, as well as a Graduate Diploma of Applied Corporate Governance.

5.6 HISTORICAL FINANCIAL INFORMATION

This Section sets out a summary of historical financial information for the purposes of this Explanatory Memorandum.

The financial statements of Vita Group for the financial years ending 30 June 2019, 30 June 2020 and 30 June 2021, including all notes to those accounts, can be found in full:

- 2019 Vita Group Annual Report (issued to ASX on 25 September 2019)
- 2020 Vita Group Annual Report (issued to ASX on 24 September 2020)
- 2021 Vita Group Annual Financial Report (released to ASX on 20 August 2021)

These documents can be found on the Vita Group website at:
https://vitagroup.com.au/shareholders/announcements-reports-presentations/

5.6.1 Summary P&L for FY19, FY20 and FY21

	Audited FY19 $'000	Audited FY20 $'000	Audited FY21 $'000
Revenue	753,675	773,098	633,532
Changes in inventories	(524,003)	(560,601)	(449,345)
	229,672	**212,497**	**184,187**
Other income	8,251	6,794	6,435
Employee benefits expense	(137,336)	(113,412)	(93,831)
Marketing expense	(10,168)	(6,922)	(6,380)
Other expenses	(44,665)	(33,119)	(21,830)
Depreciation and amortisation expense	(11,012)	(28,615)	(28,240)
	34,742	**37,223**	**40,341**
Finance income	470	238	141
Finance expenses	(1,129)	(3,682)	(3,735)
Net finance costs	**(659)**	**(3,444)**	**(3,594)**
Profit before income tax	**34,083**	**33,779**	**36,747**
Income tax expense	(9,801)	(11,372)	(10,409)
Profit for the year	**24,282**	**22,407**	**26,338**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**
Total comprehensive income for the year, attributable to the ordinary equity holders of Vita Group Limited	**24,282**	**22,407**	**26,338**

5.6.2 Balance Sheet at 30 June 2019, 2020 and 2021

	Audited FY19 $'000	Audited FY20 $'000	Audited FY21 $'000
ASSETS			
Current assets			
Cash and cash equivalents	26,672	36,813	38,208
Trade and other receivables	25,720	29,264	23,757
Inventories	24,162	24,642	21,181
Current tax receivables	-	350	-
Contract asset	453	277	-
Other current assets	-	2,589	2,322
Total current assets	**77,007**	**93,935**	**85,468**
Non-current assets			
Plant and equipment	24,085	26,787	25,581
Right of use assets	-	39,243	37,158
Intangible assets and goodwill	106,682	110,454	112,797
Deferred tax assets	8,757	8,818	11,238
Total non-current assets	**139,524**	**185,302**	**186,774**
TOTAL ASSETS	**216,531**	**279,237**	**272,242**
LIABILITIES			
Current liabilities			
Trade and other payables	83,353	78,889	61,956
Interest bearing loans and borrowings	5,696	9,160	6,241
Lease liabilities	-	16,410	15,620
Current tax liabilities	1318	-	3116
Provisions	4,216	4,740	4,737
Contract and other liabilities	1,800	2,195	3,215
Total current liabilities	**96,383**	**111,394**	**94,885**
Non-current liabilities			
Trade and other payables	2,407	-	-
Interest bearing loans and borrowings	2,952	3,562	918
Lease liabilities	-	30,245	29,202
Provisions	4,397	5,195	4,590
Contract and other liabilities	1,166	2,571	1,549
Total non-current liabilities	**10,922**	**41,573**	**36,259**
TOTAL LIABILITIES	**107,305**	**152,967**	**131,144**
NET ASSETS	**109,226**	**126,270**	**141,098**
EQUITY			
Contributed equity	41,056	43,017	44,651
Reserve	713	1,284	804
Retained earnings	67,457	81,969	95,643
TOTAL EQUITY	**109,226**	**126,270**	**141,098**

5.7 CAPITAL STRUCTURE

5.7.1 Capital structure

As at the date of this Explanatory Memorandum, the total securities of Vita on issue are as follows:

Security	Number
Vita Performance Rights[1]	1,030,688
Vita Shares	165,604,453

1. See Section 5.8.4 for how these securities will be dealt with under the Proposed Transaction.

5.7.2 Substantial shareholders

The details of Vita's substantial shareholders as at the date of this Explanatory Memorandum are set out below.

Shareholder	Number of Vita Shares	Percentage
Maxine Horne	29,673,966	17.92%
Spheria Asset Management Pty Ltd	26,989,491	16.30%
Pinnacle Investment Management Group Ltd	8,395,381	5.07%
Ryder Capital	8,390,500	5.07%
Total	**73,449,338**	**44.36%**

5.7.3 Marketable securities of Vita held by or on behalf of Directors

The details of marketable securities of Vita held by or on behalf of Directors as at the date of this Explanatory Memorandum are set out below.

Director's name	Vita Shares held by or on behalf of the Director	Vita Performance Rights held by or on behalf of the Director
Dick Simpson	120,543	**0**
Neil Osborne	267,039	**0**
Paul Wilson	73,375	**0**
Paul Mirabelle	25,572	**0**
Maxine Horne	29,673,966	**434,177[1]**
Total	**30,160,495**	**434,177**

1. See Section 5.8.4 for how these securities will be dealt with under the Proposed Transaction.

5.8 PROFILE OF VITA FOLLOWING PROPOSED TRANSACTION

5.8.1 Details of changes to Vita's business model

The changes below will occur as a result of the implementation of the Proposed Transaction:

- Vita's operations will be focused on the Artisan Business in the short to medium term.
- The current support / shared services team will be reduced to suit the size of the Artisan Business.
- Business operations will be scaled back and modified to suit a smaller business, for example the Reward and Recognition program will be targeted specifically at Artisan employees, such as clinicians.

5.8.2 Details of Directors' intentions regarding Vita following Proposed Transaction

Directors and management intend to continue with the strategy to deliver productivity gains and further grow the clinic network over time, leveraging the forecast growth in the non-surgical aesthetics industry, with industry growth forecast to continue at 10% compound annual growth rate (CAGR).

The strategy includes:

- Living the brand promise: *Master the artistry of you*

  This includes ensuring all activities are conducted in line with Artisan Business' brand promise which is:

  At Artisan Aesthetic Clinics, we believe real beauty is a form of artistry achieved by feeling truly confident in who you are. Combining artistry with experience, we provide a truly tailored and safe experience, working with our clients to achieve the very best results. Guided by expert hands in a bespoke and caring environment, we empower our clients to look and feel their confident best.

- Attract, retain and develop skilled clinicians through a clear employee value proposition, including a focus on clinical training and education

  Vita intends to create what it expects to be an industry-leading clinical education and training ecosystem, to further facilitate the capabilities of the team, such as clinical content, consulting skills, leadership skills and others. It is currently intended that this ecosystem will include:

  - Clinical Knowledge Bank, which provides access to all clinical information in one system and enables clinicians to easily create a client treatment plan that is effective, safe and value-adding
  - Role Academies, in which each role and its various skills will be defined
  - Learning and assessment to support the achievement of mastery within the Role Academy for each role
  - Systems and technology to support the easy access and management of the above.

- Reward and recognition

  Vita proposes to reward and recognise outstanding achievements from clinicians by evolving Vita Group's reward and recognition systems, further encouraging employee attraction, engagement and retention.

- Invest in great technology

  Vita intends to invest in three categories of technology:

  - State-of-the-art treatment technology, which acts as a market differentiator and barrier to entry from several potential competitors; and provides a multi-dimensional approach to treating skin, which delivers improved client outcomes
  - Artisan's advanced in-house intellectual property, such as Journals and business intelligence platforms, to measure and monitor the effectiveness of the team, and to draw business insights to further support high performance
  - Artisan's proprietary clinic management software, cosmedcloud™, which is undergoing enhancements including the introduction of the Clinical Knowledge Bank mentioned above.

- Treat clients holistically

  Vita plans to continue to focus on treating clients across several modalities, including injectables and dermal treatments (eg. laser and light therapies) and will support this through the provision of cosmeceutical skin care. This is intended to provide clients with the optimal outcome, and to provide value to the business.

- Provide personalised treatment plans

  Vita intends to further embed a focus on providing a personalised treatment plan to each client, which is in line with a premium brand and which assists with client retention and ongoing revenue.

- Embed a governance framework that effectively manages risk

  Vita intends to be ahead of regulatory change, to ensure that it aligns with regulatory requirements as well as the Artisan brand promise. Artisan's regulatory framework includes (but is not limited to):

  - Medicines regulations
  - Documentation requirements
  - Informed consent requirements
  - Advertising obligations
  - Clinic waste management
  - Laser and IPL regulation.

Artisan's Medical Director and Clinical Nurse Director, both of which fill senior positions within the structure, support and drive governance and medical oversight.

- Select the right location

  Vita regards Artisan clinics as premium, and each one has its own bespoke design to suit its area and clientele. Artisan clinics are not in shopping centres, they are destination locations, which provide flexibility in areas such as trading hours, clinic size and fitout. They also provide clients with a discreteness that is not possible in a shopping centre.

5.8.3 Details of changes to Vita Board and senior management

Subject to and following implementation of the Proposed Transaction, changes will be made to reflect the size and operations of the Artisan Business moving forwards, including:

- Maxine Horne will exit her role as Chief Executive Officer and will continue on the Vita Board in the capacity of Non-Executive Director.
- Pete Connors, currently Vita's Chief Operating Officer, will be appointed to the role of Managing Director and Chief Executive Officer.
- Dick Simpson, current Chair and Non-Executive Director, will not stand for re-election at the 2021 AGM
- Neil Osborne will retire from his role as Non-Executive Director at the conclusion of the 2021 AGM;
- Paul Mirabelle will continue his role as Independent Non-Executive Director and will assume the role as Chair;
- Paul Wilson will continue his role as Independent Non-Executive Director;
- A 'flatter' organisational structure will be implemented, with the following senior leadership roles reporting to the Vita CEO. These roles will ensure appropriate representation from the key areas of focus for the Artisan Business. All incumbents to the revised structure are existing Vita employees, with individual tenures ranging from three to 20 years.
  - Chief Financial Officer
  - Chief People Officer
  - Chief Legal and Risk Officer
  - Chief Technology Officer
  - General Manager Clinics and Client Experience
  - General Manager Product and Operations
  - General Manger Brand and Marketing
  - Clinical Nurse Director
  - Medical Director
  - General Manager Mergers & Acquisitions and Commercial Finance
- Kendra Hammond, currently Chief People Officer, and Rebecca McLeod, currently Chief Strategy & Communications Officer, will leave the business.
- The above changes are all effective from the Completion Date of the Proposed Transaction

5.8.4 Capital Structure

There will be no change to the capital structure of Vita detailed in Section 5.7.1, as a result of the Proposed Transaction, other than in respect of the Vita Performance Rights.

Vita has issued 1,030,688 Vita Performance Rights to eligible key management personnel and other selected employees under the Vita LTIP for FY20 and FY21. As a result of the reshaping of the business that will occur following the implementation of the Proposed Transaction, the likelihood of performance thresholds being met has been assessed as significantly low. As a result, it is the Vita Board's present intention to seek to cancel all Vita Performance Rights on issue for no consideration, subject to the implementation of the Proposed Transaction.

Additionally, any Vita Performance Rights held by key personnel who are leaving their key management role as a result of the Proposed Transaction, will lapse upon their exit.

The Vita Board will consider the appropriateness of a future long-term incentive plan for the ongoing Vita Group Executive Team and will seek any required shareholder approval of any new plan once the detail of the new plan is known.

5.8.5 Proforma historical financial statements

An unaudited historical proforma income statement and balance sheet of Vita following implementation of the Proposed Transaction is set out below. The proforma income and balance sheet of Vita also takes into account the proposed Special Dividend. The historical financial information has been adjusted to reflect the Company as if the Proposed Transaction with Telstra had occurred for the full historical period covered by the financial information. To enable this, the historical financial information has been adjusted to show adjusted or “proforma” historical financial information. In preparing this information some assumptions were made about the allocation of shared centralised corporate overheads.

	FY21 Statutory Income Statement (Audited) $’000	FY21 Proforma Income Statement (Unaudited) $’000
Revenue	633,532	28,392
EBITDA (pre-corporate overheads)	89,710	4,935
Centralised corporate overhead	(21,129)	(8,462)
EBITDA	68,581	(3,527)
EBITDA margin %	11%	(12%)
Depreciation and amortisation – other assets	(12,158)	(4,325)
Depreciation and amortisation – ROU assets	(16,082)	(3,166)
EBIT	40,341	(11,018)
Interest – lease liability	(2,139)	(372)
Net finance costs	(1,455)	(94)
Taxation (assumed 30% tax rate for proforma accounts)	(10,409)	3,445
NPAT	26,338	(8,039)
EBITDA (pre-AASB 16)	50,359	(7,065)
Underlying EBITDA (pre-AASB 16 & excluding JobKeeper)	33,700	(8,783)
Underlying EBIT (excluding JobKeeper)	23,682	(12,736)
Underlying NPAT (excluding JobKeeper)	14,677	(9,241)

Notes:

- FY21 included the following JobKeeper amounts received:
  - Total amount received $16.7m
  - Proforma allocation $1.7m (Artisan and centralised corporate allocation)

Vita Group Limited unaudited proforma balance sheet as at 30 June 2021

	Audited FY21 $'000	Unaudited FY21 Proforma $000
ASSETS		
Current assets		
Cash and cash equivalents	38,208	35,115
Trade and other receivables	23,757	200
Inventories	21,181	1,276
Other current assets	2,322	318
Total current assets	**85,468**	**36,909**
Non-current assets		
Plant and equipment	25,581	8,289
Right of use assets	37,158	5,783
Intangible assets and goodwill	112,797	24,981
Deferred tax assets	11,238	3,167
Total non-current assets	**186,774**	**42,220**
TOTAL ASSETS	**272,242**	**79,129**
LIABILITIES		
Current liabilities		
Trade and other payables	61,956	4,572
Interest bearing loans and borrowings	6,241	1,033
Lease liabilities	15,620	2,199
Current tax liabilities	3116	3,116
Provisions	4,737	862
Contract and other liabilities	3,215	3,215
Total current liabilities	**94,885**	**14,999**
Non-current liabilities		
Interest bearing loans and borrowings	918	481
Lease liabilities	29,202	4,917
Provisions	4,590	1,019
Contract and other liabilities	1,549	1,549
Total non-current liabilities	**36,259**	**7,966**
TOTAL LIABILITIES	**131,144**	**22,964**
NET ASSETS	**141,098**	**56,165**
EQUITY		
Contributed equity	44,651	44,651
Reserve	804	804
Retained earnings	95,643	10,710
TOTAL EQUITY	**141,098**	**56,165**

5.9 RISK FACTORS

Vita Shareholders are currently exposed to various risks as a result of their investment in Vita.

If the Proposed Transaction proceeds, there will be a change in the risk profile to which Vita Shareholders are exposed as a result of the disposal of Retail ICT Business and Vita's operations being focused on the Artisan Business.

As with all investments, investors should be aware that the market price of Vita Shares may fall as well as rise. The potential returns of Vita will be dependent on risks specific to Vita and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the potential risks discussed in this Section 0.

Vita Shareholders are encouraged to read this Section in its entirety.

The risks identified in this Section 0 are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by, Vita are given.

5.9.1 General risks relating to holding to Vita Shares

(a) The price of shares may fluctuate

As an ASX-listed company, Vita is subject to general market risks that are inherent in all securities listed on a securities exchange.

The price at which Vita Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of the Company's control and are not attributable to the underlying operations and activities specific to the Company. These factors may cause the Vita Shares to trade at prices below the levels as at the date of this Explanatory Memorandum. It is also likely that the price of the Vita Shares will decrease following the implementation of the Proposed Transaction as a result of the disposal of the Retail ICT Business and payment of the Special Dividend.

Some of the factors which may affect the price of the Vita Shares in addition to the Company's financial position and performance include fluctuations in the domestic and international market for listed stocks, general economic conditions (including interest rates, inflation rates, exchange rates), changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates, force majeure events and general operational and business risks.

(b) Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of the Company and the price of the Vita Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (such as COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on the Artisan Business. The Company has only a limited ability to insure against some of these risks.

5.9.2 Specific risks associated with Vita and Artisan Business if the Proposed Transaction proceeds

(a) Future capital requirements

Vita will require additional capital to fund growth of the Artisan Business. It is proposed that Vita will retain approximately $35 million (net of costs) from the proceeds of the Proposed Transaction if it is implemented. Vita's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it, will vary according to a number of factors including (without limitation) the prospects of new acquisition opportunities, the results of its operations and broader industry and stock market conditions.

(b) Risks associated with the Transaction Documents

Vita has entered into the Transaction Documents in respect of the Proposed Transaction which are summarised in Section 4.9. As part of the Transaction Documents, Vita has agreed to provide certain warranties and indemnities.

While Telstra's primary recourse will in most cases be to warranty & indemnity Insurance, it is possible that payments for breach may need to be made to Telstra.

(c) COVID-19 may adversely impact the Artisan Business

There is continuing uncertainty as to the duration and further impact of the COVID-19 pandemic, including duration and nature of government-imposed restrictions such as local lock-downs, restrictions business operations and community movements, as well as the impact on the economy and consumer spending.

Given the uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not currently possible to assess the full impact of the COVID-19 pandemic on the Artisan Business and its prospects. COVID-19 restrictions may materially adversely impact the Company's financial performance and profitability.

The Company may also be exposed to increased costs associated with requirements in relation to social distancing, cleaning and hygiene measures at clinics and its head office.

(d) A reduction in consumer discretionary spending may adversely impact the Artisan Business

Consumer behaviour and spending in the non-surgical aesthetics sector may be affected by the state of the broader economy, including interest rates, the unemployment rate, consumer and business sentiment, geographical and political events and asset prices in general.

Several measures such as the easing of monetary policy by the Reserve Bank of Australia and policies introduced by the Australian Government, including in response to COVID-19, have been implemented to stimulate economic activity in Australia. However, there remains a risk that Australian economic conditions will worsen or that consumer sentiment will take longer than expected to improve, leading to a further reduction in discretionary household expenditure. If Australian economic conditions worsen, there is a risk that consumers will reduce their level of consumption or redirect their spending to less expensive alternatives to the Company's treatments and skincare products. A reduction in consumer spending or a change in spending patterns that is adverse to the Company, is likely to result in a reduction in the Company's revenue and may have a material adverse effect on the Company's financial performance and financial position.

(e) Non-compliance with regulations and regulatory changes may adversely impact the Company's operations

Despite an integrated approach to risk and compliance across the group, there is a risk that the Company may fail to comply with applicable laws and regulations in operating its business given the rapidly evolving nature of the industry, including, for example, recent changes to medicines and poisons regulations in New South Wales.

In addition, there are various federal, state and territory laws and regulations that govern the non-surgical aesthetics industry in Australia, which impact the Company and the health practitioners based at the Company's clinics.

Due to the nature of the services offered by the Company, consumer confidence in the Company and its clinics is important to retaining and attracting new clients. Non-compliance with applicable laws and regulations, and associated adverse publicity, could damage the Company's brand and reputation. This may result in loss of clients and reduced demand for the Company's services and products.

There is potential for other adverse consequences for the Company, including loss of regulatory licences, regulatory penalties, or litigation. There may also be costs associated with dealing with such adverse consequences (such as legal costs). These factors could materially affect the financial performance and future growth prospects of the Company.

Any future changes in laws and regulation, or in current interpretations that apply to the Company's operations, including changes that apply to the non-surgical aesthetics industry, may have an adverse impact on the way the Company operates its business. As a result, the Company may need to change the way its clinics operate or other aspects of its business, and this may have a negative impact on the Company's financial performance and financial position.

(f) The company's success is linked to its ability to attract and retain key management and personnel

Despite the Company's focus on building and providing an attractive Employee Value Proposition, the successful operation of the Artisan Business is reliant on its ability to attract and retain experienced, skilled and high performing key management and talent personnel, particularly medical practitioners, cosmetic injectable nurses, and dermal therapists.

Certain personnel such as medical practitioners, cosmetic injectable nurses and dermal therapists have skills and accreditations that are required for the Company to offer certain services in compliance with applicable laws. Failure to attract and retain such personnel and / or support the development of these skills may adversely affect the Company's operations and the ability to execute its business strategy for the Artisan Business.

Given the personal and sensitive nature of certain services offered by the Company, the Company's experience is that some clients tend to be loyal to an individual clinician rather than to the brand/Company and its business. As a result, the Company's ongoing success depends on the mechanism of continual engagement of its key talent personnel, the relationship the company builds between the client and the brand, and the company's ability to retain a loyal client base. Key talent personnel are important to maintaining a dedicated client base and attracting new clients. Failure to retain key talent may have a materially adverse impact on the Company's operating and financial performance, and growth prospects.

(g) Company's services or products may cause injury or harm to consumers

While the Company seeks to comply with applicable regulations and industry best practices, there is a risk that the provision of the Company's non-surgical aesthetic services may cause serious or unexpected side effects, including injury or harm to consumers. Consumer confidence in the Company and its services (in particular, its cosmetic injectables and skin treatments) are important to retaining and attracting new clients. Allegations or media reports of adverse reactions regarding the Company's treatments, or commentary on third-party product safety or suitability for use by a particular consumer, even if untrue, may adversely impact the Company's reputation and financial performance.

If any of the Company's non-surgical aesthetic treatments are perceived to be unsafe or inferior, or if they otherwise fail to meet clients' expectations, the Company's relationship with consumers could suffer and the Company may lose market share and become subject to liability claims.

In addition, the safety and reputation of the Company's competitors that offer similar non-surgical aesthetic services and skincare products may impact consumer confidence in the non-surgical aesthetics industry more generally. There is a risk that any adverse publicity on the safety and efficacy of non-surgical aesthetic treatments that is beyond the control of the Company, the Vita Board and senior management may have a negative impact on the demand for the Company's services and products and the Company's financial performance.

(h) Company may experience brand or reputational damage

The Company's ability to maintain its reputation is critical to the consumer perception of its clinics and offerings. A number of factors as set out in this Section 0 may adversely impact the Company's brand name, related intellectual property and general reputation of the Artisan Business.

The Company depends on the reputation of its third-party suppliers, which can be affected by matters outside of the Company's control. Damage to the reputation of the Company's third-party suppliers could have an adverse effect on the Company's operations and ability to execute its growth strategy, which may result in a material adverse impact on the Company's financial performance, condition and future prospects.

(i) The Company may fail to implement its business strategy successfully

There is a risk that the Company is unable to execute its business strategy of organic (growing its business and profitability in its existing clinics, as well as opening new ones) and acquisitive growth (through acquiring new clinics).

The Company's ability to open new clinics may be affected by a number of factors, including availability of suitable sites, reaching agreement with landlords in relation to lease terms, ability to find suitable personnel (such as accredited cosmetic injectable nurses) or clinic fit out cost overruns due to unexpected increases in the cost of items such as materials and labour.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing any or all of the Company's growth strategies may have an adverse effect on the Company's future financial performance and growth prospects.

(j) The Company's acquisitions of new clinics may not be successful

As described in Section 5.8.2, Vita plans to grow the Artisan Business through a combination of improved productivity of existing clinics, as well as acquisitions of clinics and clinicians over time. Regarding the acquisition of clinics, there are inherent risks with any business acquisition, for example, that the acquired clinics may not ultimately produce the financial returns that the Company anticipates, or the costs and managerial time associated with integrating new acquisitions to the Company's network may be greater than expected by the Company, Vita Board and senior management.

Despite the Company undertaking a defined due diligence process on the subject of its acquisitions, any acquisition of businesses involves a risk of unknown or unanticipated liabilities being revealed. For example, previous adverse events or liabilities to employees may be discovered following completion of the acquisition for which the Company may become liable.

If the Company undertakes an acquisition which proves to be unsuccessful, this may have a material adverse effect on the Artisan Business, financial performance and financial position.

(k) New treatments and products launched by the Company may not be successful

The Company is diligent in its selection of new treatment and products, including the assessment of safety, efficacy, and financial outcomes. Despite this, non-surgical aesthetic treatments and skincare products launched by the Company may not be as successful as anticipated, which could have a material adverse effect on the Artisan Business, financial condition or results of operations.

Each new treatment and product launch carries risks, as well as the possibility of unexpected consequences, including:

- the advertising, promotional and marketing strategies for new treatments and products may be less effective than expected and may fail to effectively reach the targeted consumers;
- the results promoted by suppliers may not be realised;
- the costs associated with launching new treatments and products may exceed budgeted expectations;
- the pricing of new cosmetic treatments and products may not be accepted by consumers, resulting in weaker than expected demand for the new product; and
- consumers may experience unexpected adverse reactions to new non-surgical aesthetic services or skincare products.

(l) The Company may face increased competition

The Artisan Business operates in a highly competitive industry that is subject to factors such as changing consumer preferences. Competition is based on a variety of factors including client experience, pricing, selection and quality of services, clinic accessibility and brand recognition.

The Company's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by the Company to maintain its market position or the introduction of new technology or proprietary products that may not be accessible by the Company. Furthermore, a decline in the Company's competitive position in any one of its core categories could adversely impact its ability to upsell and cross-sell to clients and therefore reduce client stickiness (being the recurring nature of clients) to the Artisan Business. Any deterioration in the Company's competitive position may result in a loss of market share and a decline in revenue and earnings.

(m) There may be unfavourable provisions in the Company's lease arrangements

All of the Company's clinics are operated from leased premises. Each lease has different legal terms including expiry dates and renewal options. Any failure to comply with the terms of its leases, deterioration in relationships with its landlords or other actions taken by landlords may negatively impact the security of tenure of the Company's clinics. There is also a risk that the Company may not be able to renew its leases on favourable terms, which may increase operating costs and adversely impact the Company's financial performance.

The Company may be liable for obligations under its lease agreements, including payment of rent without rebate, even if restrictions are imposed on the Company's operations in connection with the COVID-19 pandemic, including any government-imposed restrictions (such as periodic lockdown measures).

(n) Changes in market and consumer trends may adversely impact demand for the Company's services and products

The Company's continued success depends in part, on its ability to anticipate, gauge and respond to industry trends and changes in consumer preferences and attitudes towards various non-surgical aesthetic treatments. Due to the increasing use of social and digital media by consumers and the speed by which information and opinions are shared, trends may change rapidly. The Company must work continually to ensure that it has an appropriate mix of service and product offerings in order to attract new clients, increase their annual spend, and retain clients over time. If the Company is unable to anticipate and respond to trends in the non-surgical aesthetics industry and changing consumer demands in a timely fashion, its financial results may deteriorate.

Continued growth of the Company's addressable market is influenced by increasing societal acceptance of non-surgical aesthetic treatments as a means for consumers to achieve their objectives. Adverse changes to the perception of non-surgical aesthetic treatments (for example, due to a significant adverse event resulting in severe personal injury or death, adverse media coverage about a competitor's business practices or treatments or affordable high quality 'treat at home' devices) may limit the growth of the Company's addressable market. In turn, this may have a material adverse effect on the Company's financial performance and future prospects.

(o) The Company may make incorrect payments to its employees

The Company operates in an industry where certain Australian awards apply. The awards system is complex when combined with the large number of employees and payment entities, different circumstances and terms of employment, constantly changing conditions and circumstances and a distributed workforce across Australia. While the Company is confident that it has consistently sought to pay all of its employees in accordance with the relevant award and has implemented systems to measure, monitor and support this objective, there are multiple precedents of Australian employers over recent years that demonstrate the scope for mistakes to occur.

The Company may incorrectly interpret certain award rates or allowances, misclassify certain employees as contractors or misclassify employees in relation to applicable pay and allowances (including misclassification as to casual or permanent employment status), any of which may result in incorrect payments to employees. This may lead to regulatory penalties and the need to repay employees for any incorrect payments, which may adversely impact the Company's financial performance, financial position and reputation.

(p) The Company's reliance on third-party suppliers exposes it to risks associated with those third parties

The Company relies on third party suppliers for equipment and medical consumables as well as third party contract manufacturers for its products. There is a risk that a disruption to the operations of any of the Company's third-party suppliers or contract manufacturers could restrict, interrupt or otherwise adversely affect the Company's operations. These may be for reasons including a shortage of ingredients or key medical consumables, a production outage or significant disputes (including with the Company), lack of availability of maintenance services, material damage or destruction of a supplier's facilities, a significant workplace safety incident or a compliance breach.

While the Company seeks to hold sufficient quantities of product and consumables through a regular reporting and review process, and also diversifies its suppliers within its key categories, there is a risk that the Company may fail to manage its inventory appropriately or achieve such diversity in its supply relationships at all times.

The Company also relies on third-party providers for various services including online training platforms, online accounting platforms and online marketing platforms. These third-party information technology systems expose the Company to the risks of service interruptions, data corruption, cyber based attacks or network security breaches. If these providers cease or are unable to provide services or refuse to provide the Company with ongoing access to their systems, this may cause interruption to the Company's operations and may, in turn, have an adverse effect on the Company's financial and operating performance.

(q) The Company may have inadequate insurance coverage

The Company currently has in place what it believes are adequate levels of insurance for property, public and product liability, directors' and officers' liability, professional indemnity, medical malpractice and workers' compensation to protect the Company from potential losses and liabilities. However, there is a possibility that events may arise which are not adequately covered by the Company's existing insurance policies.

The Company cannot guarantee that its existing insurance (which is provided by third-party insurance providers) will be available or offered in the future. An inability of the Company to maintain such cover in the future could limit the ability of the Company to conduct its business, which could have a negative impact on the financial results and prospects of the Company.

(r) The Company may be involved in litigation or other disputes

From time to time, the Company may be involved in litigation claims or other disputes relating to matters such as personal injury (for example, in relation to adverse reactions to treatments provided), privacy breaches, product liability, intellectual property, contractual, employee and workplace health and safety and other claims arising in the ordinary course of the Artisan Business or otherwise.

Litigation may adversely impact upon the operational, reputational and financial performance of the Company, and may also negatively impact on the Vita Share price. In addition, should the Company decide to pursue claims against a third party, including any party with whom the Company has entered into agreements, such process may utilise significant management and financial resources, and a positive outcome for the Company cannot be guaranteed. Even if the Company is successful in obtaining a judgment against a third party, the Company may be unable to recover any monies from that party. For example, the relevant third party may have inadequate financial resources to cover any damages judgment awarded in favour of the Company.

The outcome of litigation cannot be predicted with certainty and adverse litigation outcomes could negatively impact the Artisan Business, financial condition and reputation.

(s) The Company may be unable to obtain access to funding

There is a risk that the Company may not be able to raise debt finance or new equity in the future to continue to pursue its business strategy and grow its business.

Volatility in the financial markets could have a material adverse effect on the Company's ability to fund its business using debt or equity. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its directors, including cyclical factors affecting the economy and share markets generally.

(t) The Company's operations or products may infringe third-party intellectual property rights

The Company's commercial success depends at least in part on its ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and other proprietary rights of others (either inadvertently or otherwise). The Company cannot be certain that the conduct of its business does not and will not infringe, misappropriate or otherwise violate such rights.

As the Company gains greater visibility and market exposure as a public company, third parties may allege that the Company's cosmetic treatments, products or activities infringe, misappropriate or otherwise violate their trademarks, patents, copyrights or other proprietary rights in an attempt to gain a competitive advantage. Defending against allegations and litigation could be expensive, take significant time and divert management's attention. The Company may also be required to pay substantial damages or be subject to court orders prohibiting the Company from engaging in certain activities.

If the Company operates its business in a way that infringes, misappropriates or otherwise violates the trademarks, patents, copyrights and proprietary rights of others, this could have a material adverse effect on the Artisan Business, financial condition and results of operations.

(u) The Company's information technology systems may fail and cause disruptions to the Company's operations

If the Company is unable to protect against service interruptions, data corruption, cyber based attacks or network security breaches (which may be out of the Company's control), its operations could be disrupted, despite the IT security program that is in place.

The Company relies on information networks and systems to process, transmit and store electronic, medical, and financial information, to implement a variety of business processes and activities such as telehealth, scripting management, financial management and reporting database management and to comply with regulatory, legal and tax requirements. The Company also relies on third party information technology infrastructure to store client information (including personal and sensitive information), for point-of-sale services and for its business intelligence dashboard and automated personalised marketing strategies. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or other unforeseen events.

The Company believes it has sufficient IT security controls in place, including end point protection and encryption; data loss prevention; and role based access controls; coupled with Business Continuity and Disaster Recovery Plans, however if the Company's information technology systems suffer severe damage, disruption or shutdown and the Company does not effectively resolve these issues in a timely manner, the Company's operations may be materially and adversely affected and the Company may experience delays in various services and reporting financial results.

If the Company is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to the Company or its clients.

(v) The Company may fail to comply with environmental regulations

In connection with the provision of non-surgical aesthetic services, the Company's clinics deal with biological and medical waste, needles, sharps and other hazardous or regulated materials, including radiation and regulated drugs. Disposal of these materials is required to comply with relevant regulations, including environmental regulations. In addition, the Company may be required to hold licences or other authorisations in connection with these activities.

Failure to comply with environmental and other regulations or hold the required licences or other authorisations relevant to the disposal of these materials may result in adverse publicity, regulatory penalties or other litigation, which may damage the Company's brand and reputation. This may result in loss of clients and reduced demand for the Company's services and products.

Any change to these regulations may also increase the cost for the Company to comply with the regulations and the cost of the Company's operations. This may have a negative impact on the Company's financial performance, reputation and future prospects.

(w) The Company will no longer have access to a large shared services team

The Company currently enjoys a shared services team of approximately 130 employees. These supporting employees provide services to both the Retail ICT Business channel and the Artisan Business. If the Proposed Transaction proceeds, the majority of shared services employees will transfer to Telstra. The Artisan Business will retain approximately 38 support employees, including management. Whilst the Company intends to retain the relevant employees to support the Artisan Business, the costs for these employees will no longer be shared across the broader business.

Additionally, in order to support the implementation of the strategy and business model that the Company believes is required to deliver sustained profitability in the future, the ratio of non-revenue-generating versus revenue-generating employees is higher than the current business, which means that overhead costs in the short to medium term are high in relation to the revenue that is currently being generated.

5.9.3 Specific risks associated with Vita if the Proposed Transaction does not proceed

Vita Shareholders should be aware that if the Proposed Transaction does not proceed, they will retain their Vita Shares, however the Vita Board will not declare or authorise or pay any Special Dividend in those circumstances.

If the Proposed Transaction does not proceed, Vita Shareholders will continue to be exposed to the risk factors relating to holding Vita Shares and the Artisan Business described in Sections 5.9.1 and 5.9.2, respectively, above as well as the following risk factors relating to the current profile of Vita.

(a) Vita may fail to retain and attract skilled employees

It may be increasingly difficult to retain and attract suitably skilled employees in the ICT division, such as senior executives, Retail ICT field leaders and support staff, given the knowledge that the Retail ICT Stores will cease to exist at the TDA Expiry Date. This may lead to under-performance of the division.

(b) General trading conditions are uncertain in ICT

There is no certainty about the general trading conditions in the ICT market, which may lead to a reduced ability to operate the business in a manner that supports the current high standards of execution.

(c) Remuneration from Telstra may further decline

If the Proposed Transaction does not proceed, and Vita is required to manage its portfolio of Retail ICT Stores until the TDA Expiry Date of 30 June 2025, Telstra may impose renumeration reductions which it is entitled to do under the TDA. This would lead to a reduction in profit for the Retail ICT Business, and therefore the Vita Group overall.

(d) Management time and attention may be reduced

If the Company's management is required to focus on sustaining and protecting the ICT Business as well as growing the Artisan Business, management time and focus may be reduced, leading to potential under-performance in one or both channels.

In the case of the Retail ICT Business, this may mean a reduction in remuneration from Telstra and therefore a reduction in both revenue and profit. In the case of the Artisan Business, this may mean a reduced ability to implement initiatives to further grow the channel and improve the productivity of existing clinics. This may lead to a reduction in both revenue and profit.

(e) Managing the ICT business may inhibit the growth opportunity in the Artisan Business

If the Company's management and support employees are required to manage and oversee the ICT business for the remaining term of the TDA, there will be less focus on the Artisan Business. This may mean that management will be less likely to take advantage of the timing regarding consolidating the premium end of the non-surgical aesthetics category.

(f) Vita will have incurred substantial costs and expended management time and resources for the Proposed Transaction

If the Proposed Transaction does not proceed, Vita will have incurred substantial costs in respect of a transaction that does not eventuate. This includes a significant proportion of management's time (six months) as well as legal and other advisory fees.

(g) No other offers for acquisition of the ICT stores are likely to develop

As a result of the TDA that covers Vita's Retail ICT stores, there is no logical alternative acquirer for the stores, meaning that the offer from Telstra is the only logical acquirer.

(h) Vita may breach the TDA

The Retail ICT Stores are operated under a TDA with Telstra which sets out the parties' rights under the obligations, including circumstances when Telstra can terminate the TDA including for breach of certain obligations by Vita. It is possible that over the remaining term of the TDA, one of those circumstances may occur entitling Telstra to exercise its contractual rights to terminate the TDA. This may result in the Retail ICT Business ceasing to operate before the TDA Expiry Date and Vita becoming responsible for the costs associated with closure of the Retail ICT Stores, including redundancies and lease termination and/or damages payable to Telstra.

(i) Vita's position as Telstra's only licensee may limit leverage for negotiations

Telstra has stated that it is progressing its conversations with other licensees, with several transitions already having taken place. If this Proposed Transaction does not proceed, Vita will likely be the only licensee in Telstra's retail branded store channel. This will mean that Vita is less likely to successfully negotiate aspects of the agreement, for example, proposed remuneration reductions and forced closure of store locations, all of which will lead to a reduction in revenue.

(j) Impact of Telstra's plans to transform its customer ecosystem

Telstra has announced its plans to transform the channel ecosystem, including simplifying its product offerings, eliminating customer pain points and creating digital experiences. If the Proposed Transaction does not proceed, Vita may need to incur costs to continue to operate within Telstra's new customer ecosystem.

(k) Vita may not receive terminal value for its 104 retail locations at the expiry of the TDA

As the Retail ICT Business is dependent on the continued operation of the TDA, the Retail ICT Business will cease to be operated by Vita on the TDA Expiry Date. However, if the Proposed Transaction does not proceed, there is no guarantee that Vita would receive terminal value for each of its 104 retail locations at the expiry of the TDA, meaning that there will be no addition of capital to support the further growth of the Artisan Business.

6 Additional Information

6.1 SUMMARY OF TAX ISSUES FOR AUSTRALIAN VITA SHAREHOLDERS

This section sets out a general summary of the key Australian income tax consequences of the Proposed Transaction and the receipt of the Special Dividend by Vita Shareholders. The purpose of the summary is to assist Vita Shareholders understand the potential Australian tax consequences of the proposed Special Dividend. The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Explanatory Memorandum. Vita Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment to the Vita Shareholders as described in this summary.

This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Vita Shareholder, and is not intended to be advice and should not be relied on as such. The tax consequences arising to Vita Shareholders will vary depending on their specific profile, characteristics and circumstances. Accordingly, Vita Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary. The Australian tax consequences outlined below are relevant to Vita Shareholders who are individuals, companies, trusts and complying superannuation funds that hold their Vita Shares on capital account for Australian income tax purposes.

This summary does not cover Vita Shareholders who:

- hold their Vita Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account;
- may be subject to special rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in securities;
- are 'temporary residents' as that term is defined in section 995-1(1) of *the Income Tax Assessment Act 1997* (Cth);
- change their tax residence whilst holding Vita Shares;
- are non-residents for Australian income tax purposes and who hold their Vita Shares as an asset of a permanent establishment in Australia;
- are non-residents for Australian income tax purposes who, together with their associates, hold 10% or more of Vita Shares;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Vita Shares; or
- are subject to the Investment Manager Regime under Subdivision 842-I of *the Income Tax Assessment Act 1997* (Cth) in relation to their Vita Shares.

Any persons who may be subject to tax in any jurisdiction outside Australia should obtain independent professional advice on their particular circumstances.

6.1.1 Australian income tax treatment of Special Dividend

(a) Entitlement to tax offset for franking credits

Vita Shareholders should include the Special Dividend and the attached franking credits in their assessable income. Generally, a tax offset should be available for franking credits received. However, Vita Shareholders will not be entitled to obtain a tax offset for the franking credits (and will not be required to include this amount in their assessable income) unless the Vita Shareholders are 'qualified persons' in relation to the Special Dividend and certain franking integrity measures do not apply.

(b) 'Qualified person' rule

For a Vita Shareholder to be considered a 'qualified person' in relation to the Special Dividend, the Vita Shareholder must have held their Vita Shares 'at risk' for a continuous period (excluding the day of acquisition and the day of disposal) of at least 45 days during a 90-day period (beginning on the 45th day before, and ending on the 45th day after, the day on which the shares become ex-dividend).

A Vita Shareholder will not be considered to have held their Vita Shares 'at risk' where the Vita Shareholder has materially diminished risks of loss or opportunities for gain in respect of the Vita Shares (i.e. the Vita Shareholder's net position in relation to the Vita Shares has less than 30% of those risks and opportunities).

Vita Shareholders should seek independent professional advice regarding the application of the 'qualified person' rule to their particular circumstances.

(c) **Franking integrity rules**

The franking integrity rules are intended to prevent abuse of the imputation system, e.g. by streaming franking credits. The rules are complex, and Shareholders should seek independent professional advice regarding the application of the franking integrity rules to their particular circumstances.

6.2 CONSENTS AND DISCLAIMERS

The following parties have given, and have not withdrawn as at the date of this Explanatory Memorandum, their written consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- MinterEllison as legal adviser to Vita;
- Computershare Investor Services Pty Limited as Vita's share registrar; and
- BDO as Independent Expert.

Each party referred to in this Section 6.2:

- does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based other than a statement included in this Explanatory Memorandum with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than as described in this Explanatory Memorandum with the consent of that party.

7 Glossary

Defined term	Meaning
2021 AGM	the annual general meeting of Vita Shareholders proposed to be held on 26 November 2021.
$ or A$	Australian dollars.
AEST	Australian Eastern Standard Time.
Artisan Business	Artisan Aesthetics Clinics is a skin health and wellness brand operated by Vita, that provides non-surgical aesthetic treatments and products to clients via its channel of 20 clinics (as at the time of writing this document).
Associate	has the meaning given to that term in Listing Rule 19.12.
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by ASX, as the context requires.
Australian Accounting Standards	the Australian Accounting Standards as issued by the Australian Accounting Standards Board.
BDO	BDO Corporate Finance Ltd ABN 54 010 185 725
CEO	chief executive officer.
Chair	the chairperson of Vita.
Company or Vita	Vita Group Limited ABN 62 113 178 519.
Completion Date	the date for completion of the Proposed Transaction, expected to be Friday 12 November 2021
Constitution	the constitution of the Company.
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Director	a director of the Company.
Explanatory Memorandum	this document including the Notice of Meeting.
Extraordinary General Meeting or Meeting	the meeting convened by the Notice of Meeting and proposed to be held on Wednesday 10 November 2021.
Final Distribution	means the final tranche of the Special Dividend presently anticipated to be in the range of $5 to $10 million, equating to between $0.03 to $0.06 per Vita Share to be paid on the Special Dividend Final Distribution Payment Date.
Fone Zone	Fone Zone Pty Ltd ACN 061 796 414.
ICT	information and communication technology.
Independent Expert	BDO
Independent Expert's Report	the report prepared by the Independent Expert which is contained in Section 8.

Defined term	Meaning
Listing Rules	the listing rules of the ASX.
Major Distribution	means the first tranche of the Special Dividend approximately $60 to $65 million, equating to between $0.36 to $0.39 per Vita Share to be paid on the Special Dividend Major Distribution Payment Date.
Notice of Meeting	the notice of Extraordinary General Meeting included in this Explanatory Memorandum.
Proposed Transaction	the transaction (and other arrangements) summarised in Sections 2.2 and 4.
Record Date	means the date for determining Vita Shareholders' entitlement to vote at Extraordinary General Meeting, expected to be 6.00pm (AEST) on Monday 8 November 2021.
Resolution	the resolution set out in the Notice of Meeting.
Retail ICT Business	a business of operating the Retail ICT Stores and the Sprout accessories business.
Retail ICT Stores	a network of approximately 104 Telstra branded consumer retail stores operated by Vita under licence from Telstra pursuant to the terms of the TDA.
Sale Businesses	has the meaning given to that term in clause 4.9.1.
Section	a section in this Explanatory Memorandum.
Share Registrar or Computershare	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Share Sale Agreement	the agreement between Telstra and Vita in relation to the Proposed Transaction summarised in Section 4.9.1.
Special Dividend	a fully franked dividend of approximately $0.39 to $0.45 per Vita Share or approximately $65 to $75 million in aggregate which may be paid by Vita (in its absolute discretion) in two tranches, being the Major Distribution or the Final Distribution, on the Special Dividend Payment Dates to Vita Shareholders registered as such as at the Special Dividend Major Distribution Record Date and the Special Dividend Final Distribution Date, respectively.
Special Dividend Major Distribution Ex Date	the date on which Vita Shares start trading ex entitlement to the Major Distribution, expected to be 9.00am (AEST) on Thursday 18 November 2021.
Special Dividend Final Distribution Payment Date	the date for payment of the Final Distribution, which will be announced following the Completion Date of the Proposed Transaction.
Special Dividend Final Distribution Record Date	the date for determining entitlements to the Final Distribution, which will be announced following the Completion Date of the Proposed Transaction.
Special Dividend Major Distribution Payment Date	the date for payment of the Major Distribution expected to be on Friday 26 November 2021.

Defined term	Meaning
Special Dividend Major Distribution Record Date	the date for determining entitlements to the Major Distribution, expected to be 6.00pm (AEST) on Friday 19 November 2021.
Special Dividend Payment Dates	means the Special Dividend Major Distribution Date and the Special Dividend Final Distribution Date.
Sprout	Sprout Corporation Pty Ltd ABN 30 091 119 667.
TDA	Telstra Dealership Agreement dated 27 August 2009 between Fone Zone and Telstra.
TDA Expiry Date	30 June 2025.
Telstra	Telstra Corporation Limited ABN 33 051 775 556.
Transaction Documents	the Share Sale Agreement and the Transitional Services Agreement as described in Section 4.9.
Transitional Services Agreement	the agreement between Telstra and Vita summarised in Section 4.9.2.
Vita Board	the board of Directors of Vita.
Vita Directors or Directors	the directors of Vita.
Vita Group	Vita and its subsidiaries.
Vita Information	all information in this Explanatory Memorandum other than the Independent Expert's Report.
Vita LTIP	Vita Group Performance Rights Plan, referred to as the Long Term Incentive Plan.
Vita People	Vita People Pty Ltd ABN 99 130 820 405
Vita Performance Right	a right to acquire a Vita Share for no payment issued pursuant and subject to the terms of Vita LTIP.
Vita Shareholder	a person who is registered in the Vita Share Register as the holder of at least one Vita Share.
Vita Share Register	the register of members of Vita maintained by Vita in accordance with the Corporations Act.
Vita Shares	fully paid ordinary shares in the capital of Vita.

8 Independent Expert's Report

VITA GROUP LIMITED

Independent Expert's Report and Financial Services Guide

23 SEPTEMBER 2021

BDO

FINANCIAL SERVICES GUIDE

Dated: 23 September 2021

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services; and

b) Arranging to deal in financial products in relation to securities; and

c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide, in relation to a proposed transaction with Telstra Corporation Limited ('Telstra') ('the Proposed Transaction'), an independent expert's report to the shareholders of Vita Group Limited ('Vita' or 'the Company').

Further details of the Proposed Transaction are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Transaction is in the 'best interests' of Vita's shareholders ('the Shareholders') and has been prepared to provide information to the Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. An individual shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each individual shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $195,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.

Associations and Relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. While BDOCF has not provided any professional services to Vita in the last two years, we note that related entities provide accounting and taxation services to Ms Maxine Horne, the chief executive officer of Vita.

The signatories to this Report do not hold any shares in Vita and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

Contact Details

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GLOSSARY

Reference	Definition
$, AUD	Australian Dollars
AASB	Australian Accounting Standards Board
ABV	Asset based valuation
Act, the	Corporations Act 2001
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 Valuation Services
Artisan Business, the	Artisan Aesthetics Clinics
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
CAPM	Capital asset pricing model
CFO	Chief Financial Officer
CHIA	Chi-X Australia, an Australian securities and derivatives exchange
CME	Capitalised maintainable earnings
COGS	Cost of Goods Sold
Company, the	Vita Group Limited
Completion	Completion of the sale and purchase of the shares in Fone Zone Pty Ltd under the Transaction Documents
CTO	Chief Technology Officer
Directors, the	The Directors of the Company
DCF	Discounted cash flows
DCF Model, the	Discounted cash flows valuation model
EGM Meeting, the	Extraordinary General Meeting proposed to be held on or about 8 November 2021
Enterprise	Vita Enterprise Solutions
Expiry Date, the	30 June 2025
FCFF	Free Cash Flow to the Firm
Fone Zone	Fone Zone Pty Ltd
Forecast Period, the	FY22 to FY25
FSG	The Financial Services Guide
FRE 1.5	Future Retail Experience 1.5. FRE 1.5 refers to Telstra's next evolution of their retail store environment
FY	Financial year
ICT	Information and Communication Technology
IoT	Internet of Things
IP	Intellectual Property
IPTV	Internet Protocol Television
LTM	Last twelve months
Management	The management team of Vita
MBV	Market based valuation
MNO	Mobile Network Operator
MVNO	Mobile Virtual Network Operators

Reference	Definition
MOU	Memorandum of Understanding dated 28 July 2017, amending the TDA
Net Transaction Consideration	Transaction Consideration net of completion SA Adjustments and exit costs
NIMA	Non-Invasive Medical Aesthetics
NOM	Notice of Meeting
NSA	Non-Surgical Aesthetics
NBN	National Broadband Network
Notice of Meeting, the	The Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by Vita dated on or about 8 October 2021
Proposed Transaction, the	The proposed transaction to sell the corporate entity or entities holding and operating the Retail ICT Business and the Sprout accessories business to Telstra
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 23 September 2021
Retail ICT Business, the	Vita's Retail ICT business which includes Fone Zone Pty Ltd and its subsidiaries
RG 111	ASIC Regulatory Guide 111: *Content of Expert Reports*
RGs	Regulatory guides published by ASIC
RICT	See 'Retail ICT Business'
RICT Model, the	Management's view of the future cash flows expected from the RICT Business
Shareholders, the	Shareholders of Vita Group Limited
SHAW	Skin-Health and Wellness
Silk	Silk Laser Australia Ltd
SIO	Services in Operation
SME	Small to Medium Enterprise
SMS	Short Message Service
Special Dividend	A fully franked dividend of approximately $0.39 to $0.45 per Vita Share or approximately $65 million to $75 million in aggregate which will be paid in two tranches
SA	Sale Agreement entered into between Telstra and Vita dated 24 September 2021
SA Adjustments	Purchase price adjustments specified in the Sale Agreement for working capital movement and debt like items
Stores	A network of approximately 104 Telstra branded consumer retail stores operated by Vita under a licence from Telstra pursuant to the terms of the TDA
Telstra	Telstra Corporation Limited
TBTC	Telstra Business Technology Centre
TDA	The Telstra Dealer Agreement and supporting details, schedules, MOU, modules and side letters that govern the contractual relationship between Vita and Telstra
Transaction Documents	Transaction documents relating to the Proposed Transaction comprising Sale Agreement and the Transitional Services Agreement
TPG	TPG Telecom
Vita	Vita Group Limited
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance Ltd

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PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Shareholders
C/- The Directors
Vita Group Limited
77 Hudson Rd,
Albion QLD 4010

23 September 2021

Dear Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF') has been engaged to provide an independent expert's report ('this Report') to the shareholders ('the Shareholders') of Vita Group Limited ('Vita' or 'the Company') in relation to Telstra Corporation Limited's ('Telstra') proposed acquisition ('the Proposed Transaction') of the corporate entities holding and operating Vita's Telstra Consumer and Small Business Stores and the Sprout accessories business (together referred to as 'the Retail ICT Business').

In broad terms, the Proposed Transaction will involve:

- Telstra acquiring the Retail ICT Business by acquiring Vita's shares in Fone Zone Pty Ltd, the holding company for the Retail ICT Business;
- Telstra providing consideration to Vita of $110 million, subject to working capital and debt-like items adjustments;
- Vita retaining ownership of the Artisan Aesthetics Clinics ('the Artisan Business'). This is the skin health and wellness brand operated by Vita that provides non-surgical aesthetic treatments and products to clients via its channel of 20 clinics;
- Vita paying a fully franked special dividend to the Shareholders of approximately $65 million to $75 million, or between $0.39 to $0.45 per Vita share that will be paid in two tranches ('Special Dividend'); and
- Approximately $35 million being retained as working capital to fund growth of the Artisan Business. This cash is a combination of the remaining proceeds from the Proposed Transaction (net of costs) and Vita's existing cash balance.

A more detailed summary of the Proposed Transaction is set out in Section 4.

The Shareholders are requested by the directors of Vita ('the Directors') to vote in favour of or against the Proposed Transaction at the Extraordinary General Meeting proposed to be held on or about 8 November 2021 ('the EGM Meeting').

In this Report we provide our opinion on whether the Proposed Transaction is in the 'best interests' of the Shareholders as a whole. This Report has been prepared solely for use by the Shareholders to provide them with information relating to the Proposed Transaction. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4, respectively.

This Report, including Part I and Part II, should be read in full along with all other documentation provided to the Shareholders including the Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by Vita and dated on or about 8 October 2021 ('the Notice of Meeting').

2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- Section 2.1 sets out the basis of evaluation of the Proposed Transaction;
- Section 2.2 sets out our assessment of the fairness of the Proposed Transaction;
- Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction; and
- Section 2.4 sets out our opinion regarding the Proposed Transaction.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. Whilst RG 111 does not specifically prescribe the form of assessment of an expert in relation to disposal of a main undertaking (such as the Proposed Transaction), it provides guidance in relation to the content of independent expert's reports prepared for a range of circumstances. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

Under RG 111, a transaction will be considered 'fair' if the value of the consideration to be received by shareholders is equal to or greater than the value of the securities subject to the transaction. To assess whether a transaction is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the transaction. This includes comparing the likely advantages and disadvantages if the transaction is approved with the position of shareholders if the transaction is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we assess the fairness and reasonableness issues separately for clarity.

If our opinion of the Proposed Transaction is that it is 'fair and reasonable' then we will also be able to conclude that the Proposed Transaction is in the 'best interests' of the Shareholders. If our opinion of the Proposed Transaction is that it is 'not fair but reasonable', we may still conclude that the Proposed Transaction is in the best interests of the Shareholders. In this circumstance, we will clearly state that the consideration is not equal to or greater than the value of the Retail ICT business, but that there are sufficient reasons for the Shareholders to vote in favour of the Proposed Transaction in the absence of a superior proposal. If our opinion of the Proposed Transaction is that it is 'not fair and not reasonable', we will conclude that the Proposed Transaction is 'not in the best interests of the Shareholders'.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and provide an opinion on whether the Proposed Transaction is 'best interests' of the Shareholders in Section 2.4.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Having regard to RG 111, in our view, it is appropriate to assess whether the Proposed Transaction is 'fair' by:

a) Determining the value of the Retail ICT Business on a controlling interest basis prior to the Proposed Transaction;

b) Determining the value of the consideration relevant to our assessment of the Proposed Transaction; and

c) Comparing the value of a) above with the value of the consideration offered in b) above.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the Shareholders if the value determined in b) above is equal to or greater than the value determined in a) above.

2.2.2 Value of the Retail ICT Business Prior to the Proposed Transaction on a Controlling Interest Basis

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of $50 million to $80 million for the Retail ICT Business on a controlling interest basis prior to the Proposed Transaction. In forming this view, we adopted a Discounted Cash Flow ('DCF') valuation approach as our primary valuation methodology.

Our DCF valuation is based on free cash flow projections for the Retail ICT Business until the TDA expiry in FY25 (on a cash and debt free basis). In forming our opinion on the value range for the Retail ICT Business, we have considered a range of scenarios in our DCF analysis (refer to Section 8.2.3) to address the uncertainty facing the Retail ICT Business including:

- Telstra's ability to vary the remuneration model at any time;
- Ongoing operational impacts due to COVID-19; and
- Uncertainty in relation to Vita's Telstra branded retail store network upon expiry of the Telstra Dealership Agreement ('TDA') that covers the Retail ICT Business. Telstra is under no obligation to acquire any stores on expiry of the TDA and, under the terms of the TDA, there is no logical alternative acquirer for the Retail ICT Business.

The lower end of our valuation range allows for ongoing uncertainty from COVID-19 and/or a lower terminal value from Telstra buying fewer stores at the expiry of the TDA. The higher end of our valuation range assumes lower ongoing impacts from COVID-19 and/or Vita being able to negotiate with Telstra to acquire certain stores on a basis consistent with the initial information provided to Vita and the other independent licensees in relation to the transition to Telstra's corporate ownership model for retail stores.

We have additionally had regard to a market based valuation ('MBV') and an asset based valuation ('ABV') as secondary cross-check methodologies. Our valuation of the Retail ICT Business is set out in Section 8.

2.2.3 Value of the Consideration Offered

The consideration to be received by Vita under the Sale Agreement ('SA') for the Proposed Transaction is upfront cash consideration of $110 million, which will be subject to certain adjustments ('SA Adjustments') as discussed in Section 4.2.1.2 (e.g. for working capital movement and debt like items).

To enable a like-for-like comparison with our DCF valuation, we have also made adjustments to the consideration calculated to allow for exit costs that Vita will have to pay if the Proposed Transaction proceeds. For completeness, we note that our DCF valuation incorporates the costs necessary to exit the Retail ICT Business in FY25.

The calculation of the net consideration from the Proposed Transaction ('Net Transaction Consideration') is presented in Table 2.1 below.

Table 2.1: Calculation of Net Transaction Consideration

	Section Reference	Low ($)	High ($)
Gross cash consideration	4.2.1.1	110.00	110.00
Less: SA Adjustments	4.2.1.2	(12.50)	(5.50)
Less: Exit costs	4.2.1.3	(11.50)	(8.00)
Less: Tax on share sale		-	-
Net Transaction Consideration		**86.00**	**96.50**

Source: Vita Management, BDOCF analysis

With reference to Table 2.1 above, we note the following:

- The SA Adjustments and exit cost ranges are based on estimates provided by the management of Vita ('Management');
- Vita's exit costs upon completion of the Proposed Transaction relate to lease break fees, employee entitlements for non-transferring employees, directors and officers insurance, and IT systems implementation costs. We have not adjusted the Net Transaction Consideration for certain legal fees and consultancy fees that will be incurred by Vita regardless of whether the Proposed Transaction proceeds;
- Vita does not expect to have a tax liability arising from the Proposed Transaction; and
- It is our view that the Net Transaction Consideration calculated is appropriate for comparison with the DCF valuation. There are certain payments that Vita expects to make that are excluded from both calculations (e.g. repayment of certain debt facilities).

2.2.4 Assessment of the Fairness of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction, in accordance with RG 111, it is appropriate to compare the value of the Retail ICT Business on a controlling interest basis prior to the Proposed Transaction with the Net Transaction Consideration of $86.0 million to $96.5 million. Table 2.2 below summarises our assessment of the fairness of the Proposed Transaction.

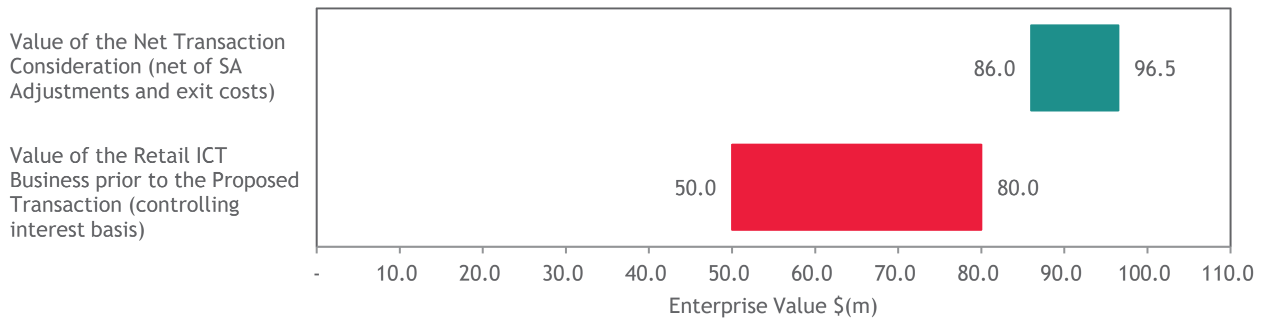
Table 2.2: Assessment of the Fairness of the Proposed Transaction

	Low ($ million)	High ($ million)
Value of the Retail ICT Business prior to the Proposed Transaction (controlling interest basis)	50.0	80.0
Value of the Net Transaction Consideration (net of SA Adjustments and exit costs)	86.0	96.5

Source: BDOCF analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of the Retail ICT Business prior to the Proposed Transaction on a controlling interest basis and the Net Transaction Consideration offered to Vita under the Proposed Transaction.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF analysis

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Transaction is **Fair** to the Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors, the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- Section 2.3.2 sets out the potential advantages and disadvantages of the Proposed Transaction to the Shareholders;
- Section 2.3.3 sets out the position of the Shareholders if the Proposed Transaction is not approved; and
- Section 2.3.4 provides our opinion on the reasonableness of the Proposed Transaction to the Shareholders.

2.3.2 *Potential Advantages and Disadvantages of the Proposed Transaction*

Table 2.3 below outlines the potential advantages of the Proposed Transaction to the Shareholders in the event that the Proposed Transaction is approved and implemented.

Table 2.3 Potential Advantages of the Proposed Transaction

Advantage	Explanation
The Proposed Transaction is Fair	As set out in Section 2.2, in our view the Proposed Transaction is fair to the Shareholders as at the date of this Report.
The Proposed Transaction realises value for the Retail ICT Business immediately and removes uncertainty regarding future operations of that business	The Proposed Transaction allows Vita to realise a value for the Retail ICT Business immediately for a known, up-front consideration. The Net Transaction Consideration provides greater certainty over the quantum to be received from/for this business and removes risk associated with generating future profits from the Retail ICT Business. We note that the ongoing uncertainty that the Retail ICT Business is exposed to includes: • The ongoing COVID-19 shutdowns have negatively impacted the performance of the Retail ICT Business' stores. While the current outbreak of COVID-19 remains, uncertainty exists in relation to the future performance of the Retail ICT Business' stores; • Telstra may, as it is entitled to do under the TDA, impose remuneration reductions and/or direct Vita to reduce the total number of stores before 2025. This would lead to a reduction in profit for the Retail ICT Business in circumstances that offsetting expense reductions cannot be made; • Vita are still required under the TDA to incur the expenses associated with the refit of current store locations. The Proposed Transaction removes the uncertainty associated with having to incur the costs of refitting stores; • There is no guarantee that Vita would receive a terminal value or other form of financial compensation for any of its 104 retail locations at the expiry of the TDA; • The quantum of exit costs is unknown and will ultimately depend on negotiations between Telstra Vita, and other third parties in the lead-up period to expiry of the TDA; and • There is a possibility that Vita will be the last remaining licensee with no recourse to support from the other smaller licensees. This may affect Vita's capacity to negotiate effectively in the lead up to the expiry of the TDA.
Special dividend fully franked	The special dividend may give rise to additional consideration for those Australian resident shareholders able to benefit from the related franking credits attaching to the special dividend.
No ongoing requirement to allocate Management time	Following the Proposed Transaction and on completion of provision of the transitional services, there will no longer be a requirement for Vita to allocate their executive management team's time to the Retail ICT Business. In the absence of the Proposed Transaction, Vita management would be required to devote significant resources to the wind-up of the Retail ICT Business over the period to 30 June 2025.
Continued exposure to the Artisan Business	If the Proposed Transaction is implemented, the Retail ICT Business will be sold on a standalone basis and Vita will retain ownership of the Artisan Business. Shareholders will continue to be exposed to any future benefits as well as the ongoing risks associated with the Artisan Business.
Principal business activity will be clearly focussed on the Artisan Business	The future business activities of the Retail ICT Business have been uncertain following Telstra's announcement on 11 February 2021 to transition to a full corporate ownership model. The Proposed Transaction will end the uncertainty associated with the Retail ICT Business and enable Vita to shift and streamline the focus of the Company toward a more defined goal of growing the Artisan Business. This more defined focus will allow Vita to be identifiable by the market as a skin-health and wellness company and the market will more easily be able to assess the future prospects of the Company.

Advantage	Explanation
A superior proposal has not emerged	The Directors have advised that, as at the date of this Report, a superior proposal to the Proposed Transaction has not been received by the Company. For completeness, we note that as a result of the TDA that covers the Retail ICT Business, there is no logical alternative acquirer for the business. There is no guarantee that Telstra, as the only logical acquirer, or any other party would offer a superior proposal to the Proposed Transaction.

Source: BDOCF analysis

Table 2.4 below outlines the potential disadvantages of the Proposed Transaction to the Shareholders in the event that the Proposed Transaction is approved and implemented.

Table 2.4: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
No further exposure to the Retail ICT Business	If the Proposed Transaction is implemented, Shareholders will no longer hold an interest in the Retail ICT Business. Shareholders will therefore not participate in any future value created by the Retail ICT Business over and above that reflected in the consideration for the Proposed Transaction. By way of example, we note that certain valuation scenarios set out in Section 8 result in a valuation range in excess of the consideration offered under the Proposed Transaction.
Loss of diversification and change to investment risk profile	If the Proposed Transaction is implemented, Shareholders will have an interest in a: • Less diversified company solely exposed to the Artisan Business; and • A company with a more limited track record and an investment risk profile aligned with a growth company (upfront investment required to generate sustainable earnings in the future). This may be inconsistent with the objectives of particular shareholders. The loss of diversification and change to risk profile following the Proposed Transaction may also result in a greater impact on the performance of Vita in the event of unfavourable economic and market conditions, where the Artisan Business is no longer supported by the assets of the Retail ICT Business. For completeness, we note that the Directors expect the cash to be retained by Vita following the Proposed Transaction to be sufficient to fund the Artisan Business over a two to three year period.
Limited ability to receive recurring dividends in short term	The Artisan Business has not yet demonstrated a track record of generating sustainable earnings. Until it is able to do so, it is unlikely that Vita will be in a position to pay a recurring dividend following the Proposed Transaction (including payment of the special dividend).
Smaller market capitalisation and changed liquidity	Based on the price at which Vita shares traded on the ASX prior to the announcement of the Proposed Transaction since 10 February 2021, Vita had a market capitalisation in the range of \$133.6 million to \$170.7 million (calculated assuming approximately 165.6 million shares on issue with a share price between \$0.8067 and \$1.031). If the Proposed Transaction is implemented and the special dividend paid (anticipated to have a total amount in the range of \$65 million to \$75 million), we would expect Vita's market capitalisation to fall. By way of example, the share price of a company typically falls by a value similar to the dividend amount on the day the share trades ex-dividend. In the case of Vita and the special dividend, this would result in the above market capitalisation falling to a range of \$68.6 million to \$95.7 million immediately following the share going ex-dividend. This is a significantly lower market capitalisation relative to Vita prior to the Proposed Transaction and may lead to less market awareness and lower liquidity. The above numbers are for illustration only. The market capitalisation of Vita may vary materially for a range of reasons and the market capitalisation at any time, or post any given event, including the payment of dividends, could vary materially from the above.
Taxation	The special dividend payable under the Proposed Transaction may trigger tax consequences for Shareholders earlier than would have been the case otherwise. The taxation consequences of the Proposed Transaction for Shareholders will depend on the personal taxation and financial circumstances of each Shareholder. We recommend Shareholders consider consulting an independent adviser who will have regard to their individual circumstances. Vita have also summarised the tax issues for Australian Vita shareholders in Section 6 of the Notice of Meeting.

Source: BDOCF analysis

2.3.3 *Position of the Shareholders if the Proposed Transaction is Not Approved*

Table 2.5 below outlines the potential position of the Shareholders if the Proposed Transaction is not approved.

Table 2.5: Position of the Shareholders if the Proposed Transaction is Not Approved

Position of the Shareholders	Explanation
No special dividend	If the Proposed Transaction does not proceed, the Directors will not declare or authorise the proposed special dividend.
The Retail ICT Business will cease trading on expiry of the TDA	If the Proposed Transaction does not proceed, the Retail ICT Business will cease to operate on the TDA expiry date of 30 June 2025 (as the ability of the Retail ICT Business to operate is dependent on the TDA). The return generated for Shareholders from the Retail ICT Business would be a combination of earnings generated over the remaining term of the TDA and any amounts able to be realised on expiration (e.g. from the sale of stores to Telstra), net of costs. In considering the future return that may be generated, we note: • Telstra may, as it is entitled to do under the TDA, impose remuneration reductions. This would lead to a reduction in profit for the Retail ICT Business in circumstances that offsetting expense reductions cannot be made; • There is no guarantee that Vita would receive a terminal value for any of its 104 retail locations at the expiry of the TDA; and • The other uncertainties mentioned next to the advantage in Table 2.3 titled 'The Proposed Transaction realises value for the Retail ICT Business immediately and removes uncertainty regarding future operations of that business'.
Directors and Management time divided between two business segments	If the Proposed Transaction does not proceed, the Directors and Management will be focused on growing the Artisan Business while also continuing to operate the Retail ICT Business within the framework of the TDA until the Expiry Date.
Additional source of funds required for the Artisan Business	Under the Proposed Transaction, Vita expects to be in a position to allocate $35 million to fund the Artisan Business. If the Proposed Transaction does not proceed, an alternative source will be required for these funds or Vita will be required to change its business plan to be able to fund the Artisan Business' growth from existing cash flow sources. If Vita is required to fund the growth of the Artisan Business from existing cash flow sources, this may affect Vita's capacity to pay dividends in future periods that require cash flows to be diverted to funding growth objectives.
Non-recoverable costs	Vita will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is implemented. Vita will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved and/or implemented.
Prospect of a superior proposal or alternative transaction	It is possible that if the Proposed Transaction is not implemented, Vita may receive an offer superior to the Proposed Transaction. We note however, that as a result of the TDA that covers the Retail ICT Business, there is no logical alternative acquirer for the business. There is no guarantee that Telstra, as the only logical acquirer, would offer a superior proposal to the Proposed Transaction.
Share price in the absence of the Proposed Transaction	Vita's share price historically has been sensitive to market announcements involving the inter-relationship with Telstra (see for example the share price graph set out in Section 5.5.1 of this Report) and has largely followed a downward trend from September 2016. If the Proposed Transaction is not implemented, we would expect the market's view of the future earnings capacity of the Retail ICT Business to be incorporated into the future share price and for continued volatility arising from any unexpected announcements in relation to the TDA. In any event, if no alternative proposal emerges, the price of Vita shares may fall as there may be no value provided by Telstra for the cessation of the Retail ICT Business on the TDA Expiry Date. This is because the TDA does not compel Telstra to acquire or make any payment for all, or any, of Vita's stores comprising the Retail ICT Business on the TDA Expiry Date.

Source: BDOCF analysis

2.3.4 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the matters set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Reasonable** to the Shareholders as at the date of this Report.

2.4 Best Interests Opinion

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is Fair and Reasonable to the Shareholders as at the date of this Report. On this basis, it is our view that in the absence of any other information or a superior proposal, the Proposed Transaction is in the **Best Interests** of Shareholders as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend Shareholders:

- Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3;
- Consult their own professional advisers; and
- Consider their specific circumstances.

The decision to vote for or against the Proposed Transaction is a separate decision to the investment decision to hold or divest shares in Vita in the event the Proposed Transaction is approved and implemented. We recommend Shareholders consult their own professional advisers in relation to the decision on whether to hold or divest shares in Vita once it solely comprises the Artisan Business.

3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I and Part II, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting.

3.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Shareholders. Individual Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Notice of Meeting. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether or not the Proposed Transaction is in the best interests of the Shareholders as a whole.

This Report has been prepared at the request of the Directors for the sole benefit of the Shareholders, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Notice of Meeting to be sent to the shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor did they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Act, the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Shareholders decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;
- If the Proposed Transaction is approved, that it will be implemented in accordance with the stated terms;
- The legal mechanism to implement the Proposed Transaction is correct and effective;

- There are no undue changes to the terms and conditions of the Proposed Transaction, or complex issues unknown to us; and
- Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Vita has engaged other advisers in relation to those matters.

Vita has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Act, the Regulations, the RGs and in some cases the listing requirements of the relevant exchanges. Relevant requirements having regard to the Proposed Transaction and this Report have been set out in Section 3.4.1 below.

3.4.1 Requirements of the Corporations Acts

As at the date of this Report, we understand that the neither the Corporations Act ('the Act') nor the Corporations Regulations specifically require that an independent expert's report be provided to the Shareholders in relation to the Proposed Transaction. We have been instructed that Vita will not be using this Report or our assessment of the Proposed Transaction for the purpose of complying with any specific provisions of the Corporations Act or the Corporations Regulations.

3.4.2 Listing Requirements

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain approval of its shareholders.

For the purposes of ASX Listing Rule 11.2, in considering a main undertaking, the ASX generally applies a 50% 'rule of thumb' in assessing whether a business constitutes the main undertaking of a listed entity. The Retail ICT Business is considerably over the 50% threshold and therefore comprises the main undertaking of the Company for the purposes of ASX Listing Rule 11.2.

ASX Listing Rules Chapter 11 does not require a notice of meeting to include a report on the transaction from an independent expert for the purposes of Listing Rule 11.2, however, we have been requested by the Directors to prepare this Report to accompany the Notice of Meeting to assist the Shareholders to form a view on whether to vote in favour of or against the Proposed Transaction.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision (particularly as the full impact of the COVID-19 outbreak continues to evolve as at the date of this Report).

In circumstances where we become aware of and believe that a change in these conditions, prior to the Meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Vita. BDOCF is not responsible for updating this Report following the Meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Vita recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates thereof (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Vita, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

Where we relied on the views and judgement of management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Vita (either by Management directly or through their advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Vita has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- Vita annual reports for the year ended 30 June 2018, 30 June 2019, 30 June 2020, and 30 June 2021;
- Vita management accounts as at 31 August 2021;
- Notice of Meeting in relation to the Proposed Transaction dated 8 October 2021;
- Capital IQ;
- IBISWorld reports including:
  - Domestic Appliance Retailing in Australia Industry Report;
  - Mobile Phone and Tablet Wholesaling in Australia Industry Report;
  - Telecommunications Services in Australia Industry Report;
  - Wireless Telecommunications Carriers in Australia Industry Report;
  - Telecommunications Resellers in Australia Industry Report;
  - Mobile Telecommunications Density Report;
  - Online Consumer Electronics Sales in Australia Industry Report;
  - Hairdressing and Beauty Services in Australia Industry Report;
  - Plastic Surgeons in Australia Industry Report;
  - Specialist Medical Services in Australia Industry Report; and
  - Real Household Disposable Income.
- Australian Competition and Consumer Commission's Communication Market Report;
- MergerMarket;
- Other transaction documents;
- Other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents provided by the Management of Vita and their advisors; and
- Discussions and correspondence with Vita, Management and their advisers.

3.9 Forecast Information

Any forecast financial information referred to in this Report has originated from the Management and is adopted by the Directors in order to provide us with a guide to the potential financial performance of Vita. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expects to occur and actions that Management expects to take and are also subject to uncertainties and contingencies, which are often outside the control of Vita. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided Management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Vita have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.10 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the ASX Listing Rules of the ASX and the Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Birkett, BCom/BBusMan, CFA are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd

Mark Whittaker **Director**	**Scott Birkett** **Director**

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 4.1 summarises the Proposed Transaction and its key terms;
- Section 4.2 describes the key parties involved in the Proposed Transaction; and
- Section 4.3 details the Directors' strategic rationale for the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Shareholders should refer to the Notice of Meeting for detailed and additional information relating to the Proposed Transaction.

4.1 Background to the Proposed Transaction

In 2018, Telstra announced a 3-year strategy called T22 to simplify its operations and product set, improve customer experience and reduce Telstra's cost base. T22 was implemented to enable Telstra to better adapt to the rate and pace of change within the telecommunications industry as the industry became more competitive and driven by increased technological innovation.

On 11 February 2021, Telstra announced, as part of their T22 strategy, their intention to transition to full Telstra ownership for their 'brick and mortar' branded retail stores across Australia.[1] Negotiations with independent licensees were expected to commence shortly after the announcement and to continue over the following 12 to 18 months. For Vita, this meant the conclusion of its current TDA with Telstra on 30 June 2025, subject to any arrangement entered into beforehand.

In the announcement, Telstra stated they believe now is the right time to transition to a corporate ownership model as, with more customers interacting with businesses online, they will be able to further develop a consistent and integrated customer experience across their online channels and store network. Telstra also stated that they intend to maintain a large retail presence across Australia (including in regional and rural towns) while also expanding the availability to purchase and access services via its digital channels.

4.2 Summary of the Proposed Transaction

4.2.1 Net Proceeds to be Received by Vita

4.2.1.1 Sale Price

On 24 September 2021, Vita entered into a SA with Telstra to terminate the Master TDA and sell the shares in Fone Zone Pty Ltd for cash consideration of $110 million.

4.2.1.2 SA Adjustments

The sale price of $110 million is subject to purchase price adjustments based on the following:

- Working Capital Adjustment – a positive or negative adjustment will be made (depending on the net amount owing to or from Telstra) for the working capital of the Retail ICT Business at 30 September 2021;
- Debt – a positive or negative adjustment will be made for any debt like items (including the net amount owing to/from Telstra) at 30 September 2021; and
- Locked Box - Telstra will be entitled to an adjustment on a dollar for dollar basis for any amounts paid by members of the Retail ICT Business to other members of the Vita Group after 30 September 2021 other than in the ordinary course of business or as agreed in the SA.

Management expects the SA Adjustments to be a negative figure in the range of $5.5 million to $12.5 million.

4.2.1.3 Exit Costs and Other Transaction Costs

Management expect Vita's exit costs upon completion of the Proposed Transaction to be in the range of $8 million to $11.5 million, and relate to:

- Lease break fees for head office premises;
- Employee entitlements for employees who will not remain with Fone Zone Pty Ltd and employees who will not be transferring to the Artisan Business;
- Warranty and indemnity insurance; and
- IT systems implementation costs.

[1] Telstra has 67 owned and operated stores, another 166 branded stores run by independent licensees and a further 104 stores operated by Vita.

In addition to the exit costs set out above, the Company expects to incur transaction costs of approximately $1.2 million in relation to the Proposed Transaction. As these costs will be incurred by Vita regardless of whether the Proposed Transaction proceeds, we have not considered these fees when determining the net Proposed Transaction consideration.

Vita does not expect to have a tax liability arising from the Proposed Transaction.

4.2.1.4 Net Proceeds and Proposed Use of Funds

Having regard to the above, Vita expects proceeds, net of costs, from the Proposed Transaction to be in the range of $86.0 million to $96.5 million.

Subsequent to the completion of the Proposed Transaction, Vita intends to distribute the proceeds to Shareholders via a fully franked special dividend in the range of $65 million to $75 million, or between $0.39 to $0.45 per Vita share across two payments.

It is proposed that approximately $35 million will be retained as working capital to fund the growth of the Artisan Business. This cash is a combination of the remaining proceeds from the Proposed Transaction (net of costs) and Vita's existing cash balance.

4.2.2 Key Conditions Precedent

The material terms of the SA are summarised in the Notice of Meeting. The key conditions precedent that must be satisfied (or waived in writing by each party entitled to the benefit) in order for the Proposed Transaction to proceed are:

- Vita has passed, in accordance with ASX Listing Rule 11.2, a resolution in general meeting approving the Proposed Transaction and has complied with all requirements of Listing Rule 11.2 in respect of the meeting;
- All necessary approvals required under the approval contracts are obtained;
- All necessary approvals under the approval leases are obtained; and
- At least 50% of the key employees nominated in the SA remain employed and have not provided notice of resignation of their employment.

4.2.3 Warranties and indemnities

Telstra will take out warranty and indemnity insurance in relation to its liabilities under the Vita warranties and its liability under the SA will be limited as far as possible to its recourse under the insurance.

4.3 Strategic Rationale for the Proposed Transaction

The Vita Directors unanimously recommend that Shareholders vote in favour of the Proposed Transaction. In reaching their recommendation, the Vita Directors have had regard to a range of factors including their view that:

- If the Proposed Transaction proceeds, it will maximise the financial benefit to Vita and Shareholders given the expiry of the TDA in June 2025;
- The cessation of the Retail ICT Business is inevitable and no alternative proposal is likely to emerge for the Retail ICT Business;
- If the Proposed Transaction proceeds, Vita will be able to return some of the proceeds via special dividends;
- If the Proposed Transaction proceeds, it will provide necessary additional funding for Vita to deliver on its strategy for growing the Artisan Business; and
- The share price of Vita may be negatively impacted if the Proposed Transaction does not proceed.

5.0 Background of Vita

This section is set out as follows:

- Section 5.1 provides an overview and background information on Vita;
- Section 5.2 summarises the terms of the Telstra Dealership Agreement;
- Section 5.3 summarises the corporate structure of Vita;
- Section 5.4 summarises the equity structure of Vita;
- Section 5.5 summarises the share market trading data of Vita; and
- Section 5.6 summarises the historical financial information of Vita.

5.1 Overview of Vita

5.1.1 Overview

Vita is an Australian retailer headquartered in Brisbane, Australia, who currently operate across two market segments:

- Information and Communications Technology ('ICT'), delivered through ICT retail outlets; and
- Skin Health and Wellness ('SHAW') products and services, delivered through the Artisan Business.

Vita was founded in 1995 as Fone Zone Pty Ltd ('Fone Zone'), operating Australia's first shopping-centre mobile phone stores and grew to operate 164 retail stores across Australia and New Zealand by 2008.

In 2009, Fone Zone re-branded as Vita Group Limited and entered into an exclusive Master Telstra Dealership Agreement ('TDA') with Telstra. The TDA enabled Vita to become the largest operator of Telstra branded retail stores in Australia, which it continues to be today. The Company initially listed on the Australian Stock Exchange ('ASX') in November 2005 and currently trades under the ASX ticker 'VTG'.

ICT remains the core of Vita's business, but the Artisan Business has undergone rapid expansion since the Company's entry into the segment in the 2018 financial year.

We discuss Vita's ICT and Artisan Business segments in more detail below.

5.1.2 Information and Communication Technology Segment

5.1.2.1 Overview

ICT is Vita's primary operational segment and accounted for approximately 95.4% of Vita's revenue in FY21. ICT is comprised of the following business units:

- Retail ICT;
- Sprout Accessories; and
- Business ICT (comprised of Vita Enterprise Solutions and Telstra Business Technology Centres).

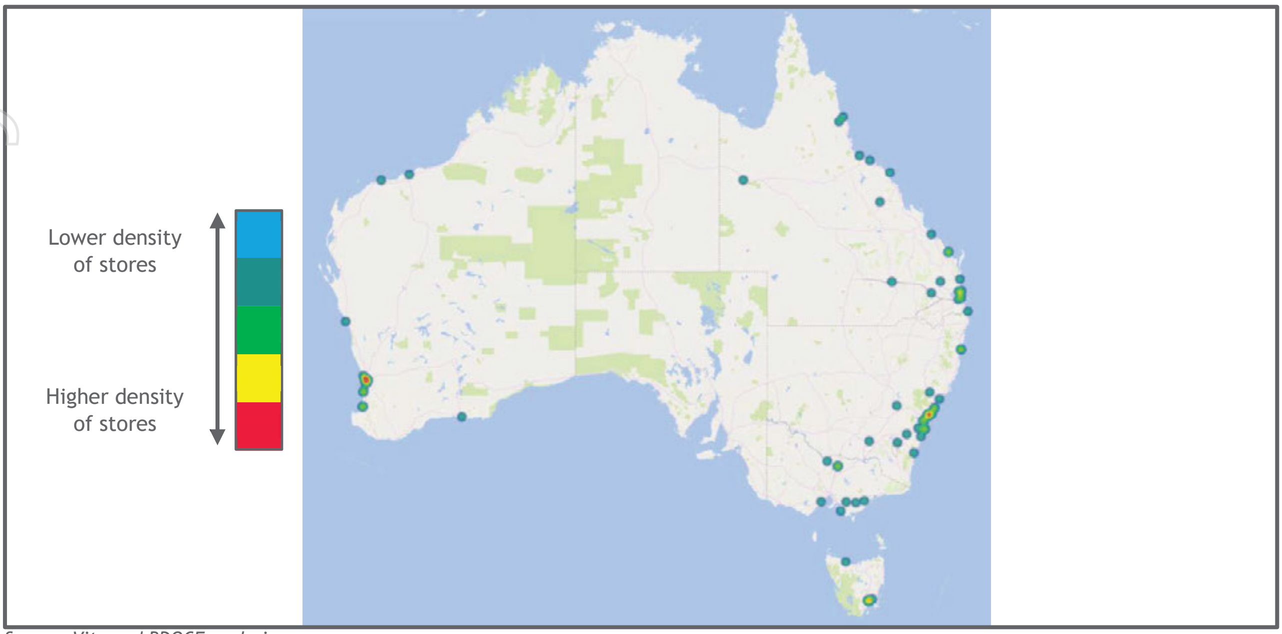
The Retail ICT segment operates the Telstra branded retail stores, primarily servicing individual consumers directly in-store and through their contact centre.

The Retail ICT segment is responsible for the sale of mobile phones, connections to plans, accessories and other technology products. Retail ICT accounts for more than 90% of revenue for the overall ICT segment. Telstra, through the TDA, has broad discretion over the products and services provided in Vita's retail stores along with the prices that Vita is able to obtain. The TDA is discussed in further detail in Section 5.2 below.

As of 11 February 2021, there were 337 Telstra branded retail outlets throughout Australia. Of these, 67 were Telstra owned and operated, 166 were run by independent licensees and the remaining 104 stores were operated by Vita. Since the announcement on 11 February 2021 by Telstra of its intention to transition to a corporate ownership model of its retail stores, Telstra has proactively entered negotiations to acquire the stores operated by independent licensees and entered in to negotiations with Vita to acquire all of Vita's Telstra stores.

Vita currently operates 104 Telstra retail stores in the locations shown in Figure 5.1 below.

Figure 5.1 Vita ICT Store Locations



Source: Vita and BDOCF analysis

With respect to Figure 5.1 above, we note:

- The coloured dots indicate the location of Vita's retail stores throughout Australia with heat map indicators displaying the geographical density of stores in an area. Blue represents fewer stores in an area whilst red represents the highest density of stores in an area;
- The majority of Vita's Telstra retail stores are located in Queensland, New South Wales and Western Australia. The Group does not operate any stores in the Northern Territory or South Australia and only a single outlet in the Australian Capital Territory; and
- Telstra is not restricted in the locations it chooses to open retail stores, resulting in Vita lacking territorial exclusivity for its retail outlets.

Sprout Accessories is Vita's internally developed technology accessories brand. The brand was founded in 2011 and has grown to become one of the largest single-branded accessory providers in Australia. Sprout is currently stocked in more than 400 retail locations Australia-wide, including the Vita-owned Telstra stores, however, the majority of the Sprout accessories revenue is derived from sales in the Vita-owned Telstra stores. Sprout accessories include speakers, headphones, in-car accessories, charging accessories and other technology-related products. As of FY21, Sprout offers more than 300 accessories. Sprout accounts for less than 3% of revenue for the overall ICT segment.

The Business ICT business unit consists of Vita's Telstra Business Technology Centres ('TBTC') and Vita Enterprise Solutions ('Enterprise'). TBTCs are physical outlets that service businesses with more than 10 employees by providing guidance and advice on appropriate technology solutions for the individual business' needs. TBTCs are designed to be a one-stop shop for small and medium enterprise ('SME') businesses, providing integrated solutions from trained business consultants. Services include:

- Cloud storage and software as a service;
- Data networks and IP phones; and
- Hardware and software built for business.

In the second half of FY21, Vita made the decision to divest out of the Business ICT channel, which consisted of four TBTCs and the Vita Enterprise Solutions business. The two New South Wales TBTCs, TBTC Sydney South and TBTC Central Coast, were sold to approved existing licensees and TBTC Brisbane and Vita Enterprise Solutions were sold in one transaction to an existing TBTC licensee and Enterprise partner. The following list outlines the TBTCs that were sold, the party which acquired them and the date of completion:

- TBTC Sydney South: Sold to CDM ICT Services on 4 January 2021;
- TBTC Central Coast: Sold to Chapeau Pty Ltd on 12 April 2021;
- TBTC Brisbane: Sold to Entag Communications Pty Ltd on 25 June 2021; and

- Vita Enterprise Solutions: Sold to Entag Communications Pty Ltd on 25 June 2021.

There is one remaining TBTC (TBTC Townsville) operating which Vita intends to either sell to an approved third party, transition to Telstra or close down in FY22.

The Business ICT business unit historically accounts for less than 5% of revenue for the overall ICT segment.

5.1.2.2 ICT Segment Financial Information

A summary of selected key financial metrics for the Retail ICT segments is set out in Table 5.1 below.

Table 5.1: ICT Segment - Key Financial Metrics Summary

Revenue Category	12 Months Ended 30-Jun-18 ($'000)	12 Months Ended 30-Jun-19 ($'000)	12 Months Ended 30-Jun-20 ($'000)	12 Months Ended 30-Jun-21 ($'000)
Sale of goods	510,762	578,056	624,553	490,449
Commission revenue	161,594	156,411	122,235	107,617
Contract revenue	5,186	4,853	5,191	6,204
Total revenue	**677,542**	**739,320**	**751,979**	**604,270**
Total revenue growth	10.3%	10.7%	11.3%	(19.6%)
EBITDA (before corporate overheads)[1]	**70,072**	**79,281**	**84,930**	**71,050**
Underlying EBITDA margin	10.3%	10.7%	11.3%	11.7%

Source: BDOCF analysis, Vita 2018, 2019, 2020, and 2021 Annual Reports
1. Underlying Pre AASB 16 EBITDA before corporate overhead and includes the JobKeeper wage subsidy.

With reference to Table 5.1 above, we note the following:

- The overall revenue of the business in FY21 substantially declined due to the effects of COVID-19 and associated restrictions negatively impacting in-store visits;
- Notwithstanding the reduction in revenue, EBITDA margins of the ICT business improved during FY21 due to tight expense control, productivity improvements and the benefit of the JobKeeper wage subsidy; and
- Sale of goods and commissions are recognised by goods transferred at a point in time, whereas contract revenue is recognised by services transferred over time.

Table 5.2 summarises the Retail ICT's unaudited pro-forma financial position as at 30 June 2021, prior to the Proposed Transaction.

Table 5.2: Retail ICT Pro-forma Statements of Financial Position

	Unaudited As at 30 June 21 ($'000)
Current assets	
Cash and cash equivalents	3,094
Trade and other receivables	23,557
Inventories	19,905
Other current assets	2,004
Total current assets	**48,561**
Non-current assets	
Plant and equipment	17,291
Right of use assets	31,375
Intangible assets and goodwill	87,816
Deferred tax assets	8,072
Total non-current assets	**144,554**
Total assets	**193,115**
Current liabilities	
Trade and other payables	57,384
Interest bearing loans and borrowings	5,208
Lease liabilities	13,421
Provisions	3,875
Total current liabilities	**79,887**
Non-current liabilities	

	Unaudited As at 30 June 21 ($'000)
Interest bearing loans and borrowings	437
Lease liabilities	24,285
Provisions	3,572
Total non-current liabilities	**28,294**
Total liabilities	**108,181**
Net assets	**84,934**

Source: Vita Management

With reference to Table 5.2 above, we note the following:

- Inventory of $19.9 million includes handsets and accessories purchased from Telstra ($14.3 million) and inventory related to Sprout ($3.4 million);
- Trade and other receivables of $23.5 million primarily relate to reimbursements and commissions receivable from Telstra ($19.5 million); and
- Trade and other payables of $57.4 million include debt owed to Telstra for purchased handsets and accessories ($34.1 million), accrued expenses ($15.3 million), and annual leave and long service leave provisions ($5.7 million).

5.1.3 Skin-Health and Wellness Segment

5.1.3.1 Overview

Vita entered the skin-health and wellness industry in 2017 following its acquisition of six Clear Complexions clinics. At the time of acquisition, the Artisan Business was referred to as the Non-Invasive Medical Aesthetics ('NIMA') segment. The segment was subsequently renamed from NIMA to Skin Health and Wellness to more accurately reflect the business.

The Artisan Business has expanded since Vita's entry into the industry in 2017, with growth driven primarily through acquisitions. Seven clinics were acquired in FY18, six in FY19, eight in FY20, and a further two in FY21. Three greenfield clinics were established in FY19, with further clinics established in FY20.

Following the merger of several acquired clinics and the addition of clinicians with client databases, the Artisan Business currently consists of 20 aesthetic clinics that Vita owns and operates across Australia, which specialise in medical grade skincare treatments and products. The Artisan Business is comprised of both branded and non-branded clinics, with branded clinics operating under Vita's 'Artisan Aesthetic Clinics' brand and non-branded clinics retaining their independent identity, usually due to a pre-existing loyal customer base. The services offered across these clinics include:

- Cosmetic injections;
- Skin treatments;
- Laser and light treatments;
- Body contouring; and
- Skin tightening.

Vita has taken steps to standardise its operations across the Artisan Business including:

- The acquisition in FY19 of the proprietary software 'cosmedcloud', which supports back-of-house productivity across the Artisan Business through an integrated point of sale system and customer relationship manager, whilst also providing commercial reporting functionality and accessibility to medical records. Vita has continued to develop the software, including the creation of an Artisan client app, and intends to distribute the product across the medical and health service industry;
- The acquisition in FY19 of the training organisation 'Face Academy' to assist in ensuring systematic training for staff across the segment; and
- Creating a clinical governance framework to to assist in guaranteeing quality, safety and best practice.

5.1.3.2 Financial Information

A summary of the Artisan Business key financial metrics is set out in Table 5.3 below.

Table 5.3: Artisan Business – Key Financial Metrics Summary

Revenue Category	12 Months Ended 30-Jun-18 ($'000)	12 Months Ended 30-Jun-19 ($'000)	12 Months Ended 30-Jun-20 ($'000)	12 Months Ended 30-Jun-21 ($'000)
Sale of goods	6,498	13,139	19,109	27,160
Commission revenue	0	477	955	1,232
Total revenue	**6,498**	**13,616**	**20,064**	**28,392**
Total revenue growth[1]	N/A	109.5%	47.4%	41.5%
EBITDA (before corporate overheads)	**(130)**	**(3,736)**	**(1,877)**	**1,397**
Underlying EBITDA margin	(27.4%)	(9.4%)	(7.4%)	4.9%

Source: BDOCF analysis, Vita 2018, 2019, 2020, and 2021 Annual Reports

1. Underlying Pre AASB 16 EBITDA before corporate overhead and includes the JobKeeper wage subsidy.

With reference to Table 5.3 above, we note the following:

- Vita's proactive acquisitive strategy has resulted in a business segment that is rapidly expanding, growing from nil revenue in FY17 to over $28 million in FY21 across 20 clinics, including a 41.5% uplift in revenue from the previous year despite a six-week closure caused by COVID-19 restrictions. Notwithstanding, the Artisan Business still only accounted for approximately 4.5% of Vita's revenue in FY21, with the segment reporting a positive EBITDA of $1.4 million in FY21 ($1.88 million loss in FY20);
- The Artisan Business has undergone revenue growth since FY18 but has been a loss-making segment for Vita, with the segment returning its first positive EBITDA (before corporate overheads) in FY21;
- Management expects the Artisan Business EBITDA for the next five years to grow year-on-year as the number of clinics operated expands; and
- Management expects EBITDA after corporate overhead allocations to remain negative in the short to medium term as Vita focuses on growing the number of clinics owned and operated.

5.2 Telstra Dealership Agreement

5.2.1 Background of the Telstra Dealership Agreement

Vita, under the Fone Zone brand, was one of Telstra's first licensed dealers and has had an ongoing relationship with Telstra for more than 26 years. The most recent iteration of the Telstra Dealership Agreement ('TDA') was entered into on 27 August 2009, through Vita's wholly-owned subsidiary, Fone Zone. The TDA provides Vita with a licence to operate Telstra branded retail stores across Australia and to sell and promote Telstra products and services on behalf of the telecommunications provider.

The TDA is comprised of an overarching TDA General Terms document, various details and schedules, as well as a number of concurrently running modules that deal with particular services and processes. The original 2009 TDA has also been amended by various side letters and agreements, including a significant amendment by way of a Memorandum of Understanding ('MOU') dated 28 July 2017, which provides for an annual master licence review process of the TDA. In FY19, Vita also agreed to forego some legacy remuneration components in exchange for an extension of tenure, an annual performance-based extension mechanism and an increase in the number of stores Vita can own and operate. Following the 2019 master licence review process, Telstra and Vita agreed to extend the term of the TDA until 30 June 2025 ('the Expiry Date').

On 11 February 2021, Telstra announced to the ASX and subsequently notified Vita via letter that they intend to transition to full Telstra ownership for all 'brick and mortar' branded retail stores across Australia, which is in line with their T22 strategy. As a result, Telstra intends to let the TDA expire on 30 June 2025.

5.2.2 Summary of Vita's Obligations, Duties and Rights During the TDA

Following Telstra's notice of intention to let the TDA expire on the Expiry Date, the obligations, duties and rights for each party contained within the TDA, MOU and supporting documentation remain on foot.

The following list outlines Vita's continuing rights and obligations as well as the items Vita will remain liable for leading up to the expiry date of the TDA. Vita has an obligation to:

- Continue with all the current selling, marketing, advertising and promotional activities contained within the various TDA documents and supporting details, schedules, MOU, modules and side letters;
- Maintain stores, conduct re-fits and pay associated costs for maintenance, insurance, relocation and store upgrades and refurbishments;
- Convert all the Telstra Licensed Stores ('Stores') that Vita is operating to the Future Retail Experience ('FRE') 1.5 format by FY23 (although Management are of the view there may be some flexibility on this requirement as a result of COVID-19 interruptions);

- Use best endeavours to acquire and roll-out new IT systems or software that Telstra recommends for its licensed store channel and cease to utilise existing IT systems and software unless the acquisition and roll-out would have a significantly adverse impact on profitability (in that event, Telstra may delay the roll-out timeframe for implementation or provide reasonable compensation to help mitigate costs);
- Refrain from poaching (i.e. attempting to employ, solicit the employment of or otherwise procure or attempt to procure the services of any of Telstra's employees that have been directly involved in performance of the TDA and had contact with employees of Vita) during the term of the agreement and for one year following termination or expiry;
- Comply with all lease obligations and pay all associated costs;
- In the circumstances of an actual or proposed change of control (as defined in the TDA) of Vita:
  - Vita must notify Telstra; and
  - If the change of control is without Telstra's consent, Telstra may vary the TDA, reduce remuneration payable under the agreement by a maximum of 10%, require Vita to sell any or all stores and provide Telstra with first and last right of refusal in relation to that sale, or terminate the TDA;
- Should Vita sell without Telstra's consent more than 10% of its non-Telstra Licensed stores, one or more stores, or all or substantially all of the assets of Vita's ICT business, Telstra may reduce all remuneration payable under the TDA, or terminate the TDA;
- If Vita seeks to sell with Telstra's consent, consent will not be unreasonably held or delayed, however selling to any Telstra competitor will be a reasonable reason to withhold consent. A Telstra competitor means any entity that is a 'carrier' or 'carriage service provider' in Australia, as defined in the *Telecommunications Act 1997* (Cth), or a dealer or reseller of a carrier or carriage service provider in Australia;
- Telstra may provide its consent on the condition that Vita provides Telstra with the first right (or last right if Vita is approached by a prospective bidder or Telstra can't agree under the first right) to negotiate in good faith for the sale of the business or its assets. If the parties cannot reach an agreement (either between Vita and Telstra for the sale of Vita's stores, or because Telstra does not approve of the third-party purchaser) then Telstra may direct Vita to close one or more of the Telstra stores if Vita does not agree to continue operating those stores;
- If Vita sells only part of its Retail ICT Business without consent, Telstra may either refuse to deal with the purchaser or Telstra may at its sole discretion enter a new agreement with the purchaser on terms Telstra sees fit; and
- Vita may not otherwise assign any rights or obligations under the TDA without Telstra's consent.

5.2.3 Summary of Vita's Obligations, Duties and Rights Upon Expiry of the TDA

The following outlines the additional responsibilities that Vita is obliged to comply with upon expiry of the TDA. Upon expiry of the TDA, Vita must:

- Stop identifying as operating a store or as a Telstra licensed dealer, or being otherwise involved in promoting Telstra's products or services, including ceasing to use in any way Telstra's intellectual property ('IP') rights;
- To deliver back to Telstra, the entire corporate wardrobe held by Vita;
- Return any of Telstra's property in Vita's possession or control including Telstra documentation, stationery, merchandising material and loaned equipment within seven days;[2]
- Pay within seven days, any amount owing under the TDA;
- Return or destroy any confidential or customer information and any Telstra branded documents or things on which Telstra IP appears, at Telstra's discretion; and
- If Telstra exercises its rights in relation to any store, until any sale has been completed, Vita must continue to operate the relevant stores (and Telstra must continue to pay Vita as if the TDA had not expired).

[2] Loaned equipment includes equipment that Telstra may loan to Vita or any associated software that Telstra may license for Vita's use.

5.2.4 Summary of Telstra's Obligations, Duties and Rights During the TDA

Telstra has the continuing obligation to fulfil any rights and obligations currently under force in the TDA and contained within the supporting details, schedules, MOU, modules and side letters. Telstra is also responsible for or required to:

- Contribute to Vita's costs for marketing, promoting and advertising products and services;
- If Telstra exercises its rights in relation to any store, until any sale has been completed, Telstra must continue to pay Vita as if the TDA had not expired if Vita continues to operate any relevant stores; and
- Refrain from poaching (i.e. attempting to employ, solicit the employment of or otherwise procure or attempt to procure the services of any of Vita's employees that have been directly involved in performance of the TDA and had contact with employees of Telstra) during the term of the TDA and for one year following termination or expiry.

Under the TDA, Telstra also has the right, without the obligation, to:

- Vary the remuneration model at any time at Telstra's sole discretion. However, Telstra has an obligation to act in good faith in their dealings with Vita and Telstra have acknowledged by letter in the annual review process for 2019 that Vita have a legitimate interest in earning a reasonable rate of return from its participation in Telstra's licenced store network; and
- Require Vita to change store locations, refurbish or re-fit stores.

5.2.5 Summary of Telstra's Obligations, Duties and Rights Upon Expiry of the TDA

The following outlines the additional responsibilities that Telstra is obliged to comply with upon expiry of the TDA. Upon expiry of the TDA, Telstra has the right, without the obligation to:

- Purchase the business of one or more stores for fair market value, and take up an assignment of Vita's leases for any purchased stores;
- Direct Vita to sell the business of one or more stores to a purchaser Telstra approves for fair market value, with the 'fair market value' for the store determined by an independent assessment of that value;
- Direct Vita to close one or more stores; and
- Subject to Telstra's election, or a third party agreeing, to buy the business of one or more stores, to require Vita to assign all telephone numbers and other services and utilities used at the premises of the stores.

5.2.6 Summary of Telstra's Obligations, Duties and Rights Upon Termination of the TDA

If the TDA is terminated before expiry, then upon termination of the TDA, Telstra has the right to:

- Purchase any of all store assets (excluding stock-in-trade) free of any security interests for the depreciated value as shown in Vita's most recent income tax return;
- Purchase from Vita, at an agreed price, stock-in-trade of each store free of any security interests; and
- Take up an assignment of Vita's leases for any stores.

5.2.7 Transitional Services Agreement

The following transitional services will be provided by Telstra and Vita to each other for a period of approximately eight months, from Completion of the Proposed Transaction and ending 30 June 2022:

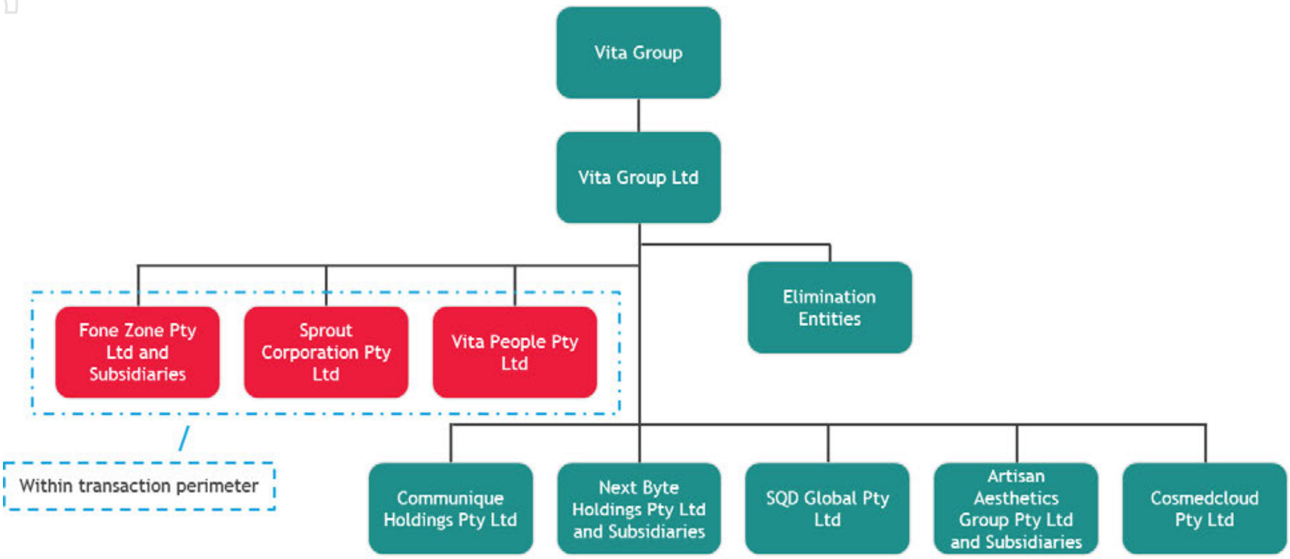
- Reasonable access to key personnel;
- Reasonable access to data and IT systems owned by or licenced to Vita;
- Ability to access and obtain the benefit of the services provided by suppliers under certain contracts until they are novated to the relevant party.

In addition, Vita will provide Telstra with a limited licence to use Vita's branding for internal purposes and provide email forwarding services for any emails received through domain name @vitagroup.com.au until 30 June 2022. Vita will also sub-license to Fone Zone part of Vita's current head office, and the whole of Vita's Contact Centre, from completion until 30 June 2022.

5.3 Corporate Structure

Figure 5.2 below sets out a summary of Vita's corporate structure. We note that Management intend to wind up a number of entities and these entities have been grouped together as 'Elimination Entities'.

Figure 5.2 Corporate Structure



Source: BDOCF analysis

We note that Sprout Corporation Pty Ltd and Vita People Pty Ltd will become subsidiaries of Fone Zone prior to completion, should the Proposed Transaction proceed.

5.4 Equity Structure of Vita Group

5.4.1 Ordinary Shares

The top 10 shareholders are set out on an individual entity basis in Table 5.4 as at 20 August 2021, per the Company's FY21 annual report.

Table 5.4: Top 10 Shareholders

	Shareholders	Number of Shares	Percentage Holding
1	Citicorp Nominees Pty Limited	22,920,862	13.84%
2	FZIC Pty Ltd <McMahon Family A/C>	19,678,707	11.88%
3	HSBC Custody Nominees (Australia) Limited	18,586,046	11.22%
4	JP Morgan Nominees Australia Limited	13,493,155	8.15%
5	McMahon Superannuation Pty Ltd <McMahon Super Fund A/C>	7,120,014	4.30%
6	Miss Maxine Joan Horne	2,765,773	1.67%
7	National Nominees Limited	2,519,828	1.52%
8	BNP Paribas Noms Pty Ltd <DRP>	2,506,267	1.51%
9	NGE Capital Limited	2,410,136	1.46%
10	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,597,487	0.96%
	Other Shareholders	72,006,178	43.51%
	Total shares on issue	**165,604,453**	**100.00%**

Source: Vita shareholder annual report as at 20 August 2021

In addition to Table 5.4 above, we note Vita has three substantial shareholders as at 20 September 2021:

- Maxine Horne, who owns 29.7 million shares (17.9% of issued capital);
- Spheria Asset Management, who own 27.0 million shares (16.3% of issued capital); and
- Ryder Capital, who own 8.4 million shares (5.1% of issued capital).

5.4.2 Unlisted Securities on Issue

Vita issues performance rights to executives as part of the Company's employee incentive plans. The performance rights are convertible into ordinary shares upon the achievement of certain milestones. As at 20 August 2021, approximately 1,664,438 Vita performance rights were outstanding. Subject to the implementation of the Proposed Transaction, it is the Board's present intention to seek to cancel all Performance Rights on issue (see section 5.8.4 of the Notice of Meeting for additional information).

5.5 Share Trading Data for Vita

5.5.1 Share Trading Data

Vita shares are traded on the ASX and the Chi-X Australia ('CHIA'). Figure 5.3 and 5.4 below displays the daily Volume Weighted Average Price ('VWAP') in Australian dollars and total daily volume of Vita shares traded over the period from 1 January 2015 to 22 September 2021. Figure 5.3 and 5.4 below should be read in conjunction with the announcements in Table 5.5.

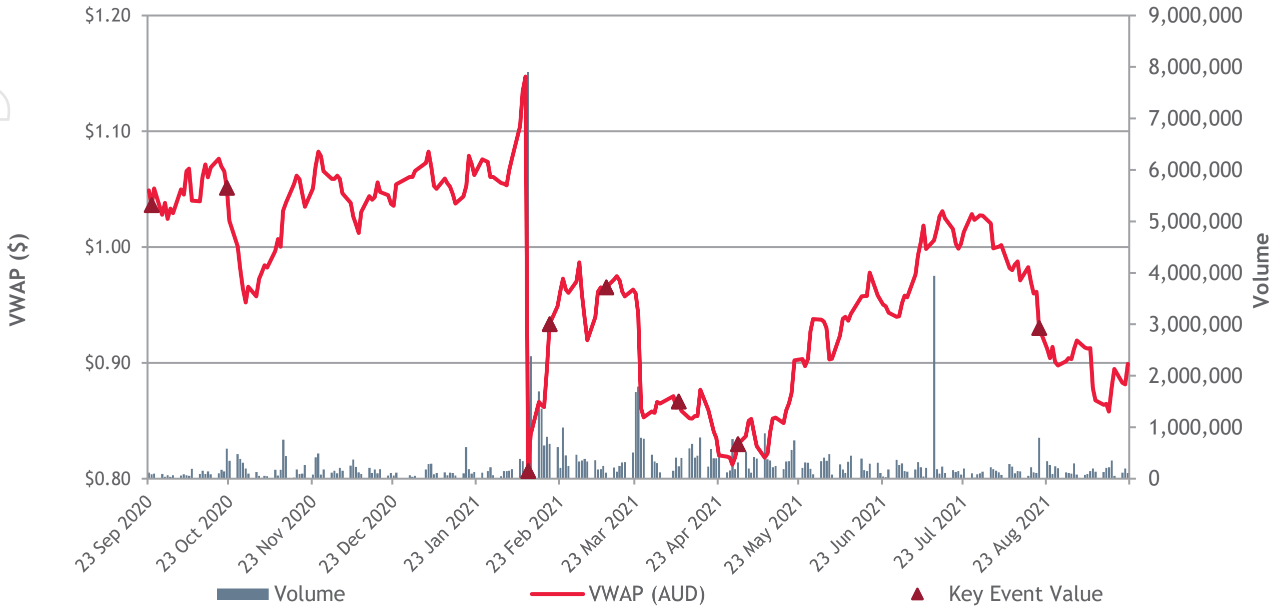
Figure 5.3: Daily VWAP and Volume of Vita Shares Traded from 1 January 2015 to 22 September 2021

Source: Capital IQ as at 22 September 2021

1 Refer to Table 5.5 below for a description of the key event on each date.

Over the period graphed in Figure 5.3 above, Vita's daily VWAP displays a period low of $0.58 on 23 March 2020 and a period high of $5.36 on 7 September 2016. We highlight in the graph above that the fall in share price in the first half of 2017 was due to changes in the remuneration agreement between Vita and Telstra prior to an announcement that Vita's remuneration from Telstra would be decreased. An internal Telstra document was subsequently leaked publically and discussed Telstra's intention to re-acquire profitable stores from licensees, before Telstra again lowered remuneration for Vita under the TDA. The subsequent volatility in the remaining period after mid-2017 often coincides with further announcements from Telstra regarding changes to the TDA.

Figure 5.4: Daily VWAP and Volume of Vita Shares Traded from 23 September 2020 to 22 September 2021



Source: Capital IQ as at 22 September 2021

1. Refer to Table 5.5 below for a description of key event on each date.

Over the period graphed in Figure 5.4 above, Vita's daily VWAP displays a period low of $0.81 on 11 February 2021 and a period high of $1.15 on 10 February 2021. We highlight that the volatility in the share price between the two days is a result of Telstra announcing their current TDA with Vita, and all of their independent retail store licensees, would come to an end on 30 June 2025 with Telstra transitioning the Telstra branded retail store network to a full corporate ownership model.

In addition to the share price and volume data of Vita shown above, we have also summarised Vita's key ASX announcements in Table 5.5 below to assist readers to understand the possible reasons for the movement in Vita's share price over the period analysed. The selected ASX announcement references in Table 5.5 below correspond to those displayed in Figures 5.3 and 5.4 above.

Table 5.5: Selected Vita Announcements from 1 January 2015 to 22 September 2021

Date	Announcement
26/02/2015	Vita releases results to the market for first half of FY15, including a 36% increase in revenue from continuing operations, a 4.12 cents per share dividend (up from 1.91 cents 12 months previous) and a 3 cents per share special dividend.
17/03/2015	Vita announces interim dividend to be partially underwritten.
24/08/2015	Vita releases amended statutory accounts, results presentation and results announcement.
28/09/2015	Vita releases FY15 annual report.
10/12/2015	Vita releases a trading update for 1H16 and announces the closure of its Next Byte retail channel.
26/02/2016	Vita releases 1H16 half-yearly report.
29/08/2016	Vita responds to Price Query from ASX, stating they do not know why the share price decreased from $4.99 to $4.07 between 22 August 2016 and 29 August 2016.
31/08/2016	Vita releases FY16 full-year results.
02/09/2016	S&P Global announces Vita will be joining S&P ASX 300.
31/10/2016	Confidential information pertaining to Telstra and Vita renegotiating the terms of their remuneration arrangement under the licence agreement are leaked publically.
26/09/2016	Vita releases FY16 annual report.
01/11/2016	Vita responds to a Price Query from ASX, stating Telstra briefed Vita and the broader Telstra licensed channel on 28 October 2016 about potential changes in remuneration construct on 28 October 2016, and that Vita will update the market when and if required.
25/11/2016	Vita announces change in remuneration structure with Telstra, stating an overall expected margin compression.
04/04/2017	Vita responds to media article titled "Leak reveals Telstra's considering taking back high performing stores from licensees" which referred to the contents of a 'leaked' Telstra internal 'draft' document.
11/05/2017	Vita announced a market update on expected record EBITDA in FY17, however, this figure was revised down in the second half of FY17 due to remuneration reductions from Telstra under the TDA. Vita also announced they expect changes to their network following Telstra's decision to organise its retail stores into geographic clusters.

Date	Announcement
17/05/2017	Vita announces that Telstra intends to reduce remuneration by approximately 10% from 1 July 2017, with Telstra citing the reason for the margin reduction is a response to margin pressures faced by the industry. Telstra also communicated their intent to further reduce remuneration by 10% at the start of each of FY19 and FY20.
11/08/2017	Vita announces an extension of the TDA, increasing Vita's retail store footprint up to 110 stores and extending the TDA until the end of FY23 with rolling annual extensions after this date, subject to annual review. Telstra states it has made no specific decisions about remuneration rates beyond FY18. Vita confirms Telstra retains the right to amend remuneration up or down to reflect changing market conditions and product lifecycle changes.
17/10/2017	Vita announces conditional agreement to acquire 'Clear Complexions', marking Vita's entry into the non-invasive medical aesthetics ('NIMA') market.
12/12/2018	Vita announces the extension of the TDA for an extra year, through to the end of FY24.
07/06/2019	Vita issues FY19 guidance, FY20 plan and changes to remuneration with Telstra. The new remuneration package increases remuneration attached to the sale of devices and lowers remuneration from sales of connections to the Telstra network. Vita also agrees to forego some legacy remuneration (amounting to $12-13 million per annum) in exchange for an extension of the licence agreement and an increase in the number of allowable Vita owned Telstra retail stores to 115.
21/02/2020	Vita announces an extension of the TDA through to the end of FY25.
19/03/2020	Vita releases an update on the business impact from COVID-19 and the enactment of their Business Continuity Plan, highlighting Vita will be a recipient of JobKeeper payments for eligible employees. Vita also announces an expected reduction in revenue and footfall, but that all ICT retail stores have remained open as an 'essential service', with health clinics re-opening on 11 May 2021. The Company also announces they have decided to exit their men's athleisure business, SQDAthletica. The Company notes their balance sheet and liquidity remain in a strong position and do not anticipate any short-term requirements for new equity or debt financing, however capital projects that are not currently in progress have been deferred.
21/08/2020	Vita releases FY20 financial results to shareholders for the financial year ended 30 June 2020, alongside an announcement of a $0.024 dividend per ordinary fully paid share to be paid on 25 September 2020 and issuance of new shares resulting from the dividend reinvestment plan.
18/09/2020	Vita announces the resignation of Chief Financial Officer ('CFO') Andrew Leyden and the appointments of Andrew Ryan as the new CFO, Justin Maskey as Chief Technology Officer ('CTO'), Rebecca McLeod as Chief Strategy and Communications Officer and George Southgate as Chief Legal and Risk Officer in addition to his current role as Company Secretary.
24/09/2020	Vita releases its annual report and 2020 Corporate Governance Statement to shareholders for the financial year ended 30 June 2020.
22/10/2020	Vita releases a trading update and the results of the Company's annual general meeting, highlighting the re-election of Paul Wilson as a director, the adoption of the Remuneration Report for FY20 and the grant of performance rights to the Chief Executive Officer and Managing Director, Maxine Horne.
11/02/2021	Vita announces a market update in response to Telstra's same-day announcement of its intent to transition Telstra's retail store network to a full corporate ownership model. Vita confirms this will mean the conclusion of its current TDA on 30 June 2025 and that Vita and Telstra are yet to finalise transition details but are working together collaboratively toward a solution.
19/02/2021	Vita releases its financial report to shareholders for the half-year ended 31 December 2020, alongside an announcement of an interim dividend of $0.056 per ordinary fully paid share to be paid to shareholders on 9 April 2021.
12/03/2021	Vita is removed from the S&P/ASX All Ordinaries Index as S&P Dow Jones Indices announces rebalance.
20/08/2021	Vita releases its annual report and investor presentation to shareholders for the financial year ended 30 June 2021.

Source: Capital IQ, Vita ASX Announcements from 1 January 2017 to 22 September 2021

5.5.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.6 below summarises the monthly liquidity of Vita shares as traded on the ASX and CHIA from 1 September 2020 to 22 September 2021. Liquidity has been summarised by considering the following:

- Volume of Vita share trades per month;
- Value of total trades in Vita shares per month;
- Number of Vita shares traded per month as a percentage of total Vita shares outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.6: Liquidity of Vita Shares

Month	Volume	Turnover ($)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP ($)
September 2021 (to 22nd)	2,529,600	2,242,358	165,604,450	1.53%	$0.8864
August 2021	4,373,980	4,157,619	165,604,450	2.64%	$0.9505
July 2021	7,014,510	7,053,827	165,604,450	4.24%	$1.0056
June 2021	5,267,660	4,956,530	165,604,450	3.18%	$0.9409
May 2021	7,357,580	6,346,996	165,604,450	4.44%	$0.8626
April 2021	7,910,900	6,696,849	165,272,780	4.79%	$0.8465
March 2021	10,860,220	10,118,513	164,656,800	6.60%	$0.9317
February 2021 (from 11th)	17,989,560	15,353,048	164,656,800	10.93%	$0.8534
February 2021 (to 10th)	1,534,370	1,681,113	164,656,800	0.93%	$1.0956
January 2021	3,115,530	3,310,411	164,656,800	1.89%	$1.0626
December 2020	2,995,400	3,120,404	164,656,800	1.82%	$1.0417
November 2020	3,933,100	4,094,538	164,656,800	2.39%	$1.0410
October 2020	3,969,140	4,066,069	164,656,800	2.41%	$1.0244
September 2020	4,208,470	4,580,205	164,260,330	2.56%	$1.0883
Total	**83,060,020**	**77,778,481**	**165,028,130**	**50.33%**	**$0.9364**

Source: Capital IQ as at 22 September 2021

Assuming a weighted average number of 165,028,130 Vita shares on issue over the period, 50.33% of the total shares on issue were traded from 1 September 2020 to 22 September 2021. In our view, this indicates that Vita shares display a high level of liquidity.

5.6 Historical Financial Information of Vita

This section sets out the historical financial information of Vita. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Vita's annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

Vita's financial statements have been audited by Grant Thornton. BDOCF has not performed any audit or review of any type on the historical financial information of Vita and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.6.1 Statements of Profit or Loss and Other Comprehensive Income

Table 5.7 summarises the consolidated statement of comprehensive income of Vita for the financial years ended 30 June 2018 ('FY18'), 2019 ('FY19'), 2020 ('FY20') and 2021 ('FY21').

Table 5.7: Vita's Summarised Statements of Profit or Loss and Other Comprehensive Income

	12 Months Ended 30 June 18 Audited ($'000)	12 Months Ended 30 June 19 Audited ($'000)	12 Months Ended 30June 20 Audited ($'000)	12 Months Ended 30 June 21 Audited ($'000)
Revenue	684,547	753,675	773,098	633,532
Cost of goods sold	(473,234)	(524,003)	(560,601)	(449,345)
Gross profit	**211,313**	**229,672**	**212,497**	**184,187**
Other income	11,790	8,251	6,794	6,435
Total gross profit and other income	**223,103**	**237,923**	**219,291**	**190,622**
Employee benefits expense	(124,792)	(137,336)	(113,412)	(93,831)
Marketing expense	(9,930)	(10,168)	(6,922)	(6,380)
Other expenses	(24,907)	(21,343)	(33,119)	(21,830)
Rental expense relating to operating leases	(22,499)	(23,322)	-	-
EBITDA	**40,975**	**45,754**	**64,792**	**68,581**
Depreciation and amortisation	(10,043)	(11,012)	(27,569)	(28,240)
EBIT	**30,932**	**34,742**	**37,223**	**40,341**
Interest income	280	470	238	141
Finance expense	(1,273)	(1,129)	(3,682)	(3,735)
Impairment expense	-	-	(1,046)	-
Profit before income tax	**29,939**	**34,083**	**33,779**	**36,747**

	12 Months Ended 30 June 18 Audited ($'000)	12 Months Ended 30 June 19 Audited ($'000)	12 Months Ended 30June 20 Audited ($'000)	12 Months Ended 30 June 21 Audited ($'000)
Income tax expense	(7,988)	(9,801)	(11,372)	(10,409)
Profit for the period	**21,951**	**24,282**	**22,407**	**26,338**

Source: Vita 2018, 2019, 2020, and 2021 Annual Reports

With reference to Table 5.7 above, we note the following:

- Vita adopted AASB 16 *Leases* from 1 July 2019. As a result, the FY21 (FY20) EBITDA includes an uplift of $18.2 ($15.9) million as rent expenses are replaced by $16.1 ($13.7) million depreciation charges of the right-of-use assets and $2.1 ($2.2) million finance expense in respect of the lease liability which are recognised below EBITDA; and
- The reduction in employee benefits expenses in FY20 and FY21 is a result of tight expense management, and Company receiving JobKeeper payments from the Federal Government that reduced wages and salaries by approximately $12 million in FY20 and $17.7 million in FY21.

5.6.2 *Statements of Financial Position*

Table 5.8 summarises Vita's statements of financial position as at 30 June 2018, 2019, 2020 and 2021.

Table 5.8: Vita's Summarised Consolidated Statements of Financial Position

	As at 30 June 18 Audited ($'000)	As at 30 June 19 Audited ($'000)	As at 30 June 20 Audited ($'000)	As at 30 June 21 Audited ($'000)
Current assets				
Cash and cash equivalents	31,613	26,672	36,813	38,208
Trade and other receivables	23,077	25,720	29,264	23,757
Inventories	19,063	24,162	24,642	21,181
Current tax receivables	-	-	350	-
Contract assets	354	453	277	-
Other current assets	0	0	2,589	2,322
Total current assets	**74,107**	**77,007**	**93,935**	**85,468**
Non-current assets				
Plant and equipment	14,802	24,085	26,787	25,581
Right of use assets	-	-	39,243	37,158
Intangible assets and goodwill	100,542	106,682	110,454	112,797
Deferred tax assets	6,935	8,757	8,818	11,238
Total non-current assets	**122,279**	**139,524**	**185,302**	**186,774**
Total assets	**196,386**	**216,531**	**279,237**	**272,242**
Current liabilities				
Trade and other payables	69,504	83,353	78,889	61,956
Interest bearing loans and borrowings	8,633	5,696	9,160	6,241
Lease liabilities	-	-	16,410	15,620
Current tax liabilities	2,492	1,318	-	3,116
Provisions	4,665	4,216	4,740	4,737
Contract and other liabilities	-	1,800	2,195	3,215
Total current liabilities	**85,294**	**96,383**	**111,394**	**94,885**
Non-current liabilities				
Trade and other payables	1,518	2,407	-	-
Interest bearing loans and borrowings	6,557	2,952	3,562	918
Lease liabilities	-	-	30,245	29,202
Provisions	5,280	4,397	5,195	4,590
Contract and other liabilities	-	1,166	2,571	1,549
Total non-current liabilities	**13,355**	**10,922**	**41,573**	**36,259**
Total liabilities	**98,649**	**107,305**	**152,967**	**131,144**
Net assets	**97,737**	**109,226**	**126,270**	**141,098**

	As at 30 June 18 Audited ($'000)	As at 30 June 19 Audited ($'000)	As at 30 June 20 Audited ($'000)	As at 30 June 21 Audited ($'000)
Equity				
Contributed equity	38,925	41,056	43,017	44,651
Other reserves	183	713	1,284	804
Retained earnings	58,629	67,457	81,969	95,643
Total equity	**97,737**	**109,226**	**126,270**	**141,098**

Source: Vita 2018, 2019, 2020, and 2021 Annual Reports

With reference to Table 5.8 above, we note the following:

- Intangible assets at 30 June 2021 includes goodwill of $111.7 million;
- The adoption of AASB 16 from FY20 results in the addition of right-of-use assets and current and non-current lease liabilities;
- Current and non-current contract and other liabilities of $2.9 million (FY19) and $4.7 million (FY20) relate to unearned revenue and contingent consideration resulting from earn-out arrangements with acquired clinics in the Artisan Business; and
- Vita has historically operated with a negative net working capital position.

5.6.3 Statement of Cash Flow

Table 5.9 summarises Vita's statements of cash flows as at 30 June 2018, 2019, 2020 and 2021.

Table 5.9: Vita's Summarised Consolidated Statements of Cash Flows

	12 Months Ended 30-Jun-18 Audited ($'000)	12 Months Ended 30-Jun-19 Audited ($'000)	12 Months Ended 30-Jun-20 Audited ($'000)	12 Months Ended 30-Jun-21 Audited ($'000)
Cash flow from operating activities				
Receipts from customers (inclusive of GST)	768,079	831,691	860,071	699,124
Payments to suppliers and employees (inclusive of GST)	(718,597)	(779,318)	(811,618)	(661,282)
Receipts from government stimulus	-	-	8,094	21,637
Interest received	280	470	238	141
Finance expenses	(1,164)	(1,126)	(3,237)	(3,604)
Income taxes paid	(12,027)	(13,056)	(12,401)	(9,286)
Cash flow from operating activities	**36,571**	**38,661**	**41,147**	**46,730**
Cash flow from investing activities				
Purchase of plant and equipment	(4,924)	(16,363)	(13,494)	(8,862)
Proceeds from sale of plant and equipment	-	-	77	15
Purchase of intangible assets	(639)	(599)	-	(584)
Acquisition of businesses and subsidiaries, net of cash acquired	(22,920)	(7,324)	(7,546)	(5,786)
Proceeds from sale of stores	1,677	550	1,900	4,899
Proceeds from funds invested	-	-	-	-
Net cash flow from investing activities	**(26,806)**	**(23,736)**	**(19,063)**	**(10,318)**
Cash flow from financing activities				
Proceeds from issues of shares and other equity securities	8,504	2,131	1,961	1,327
Proceeds from borrowings	13,051	2,146	12,842	5,161
Repayment of borrowings	(10,839)	(8,688)	(8,768)	(10,723)
Lease payments	-	-	(11,493)	(17,620)
Dividends paid	(18,544)	(15,454)	(6,485)	(13,162)
Net cash flow from financing activities	**(7,828)**	**(19,865)**	**(11,943)**	**(35,017)**

	12 Months Ended 30-Jun-18 Audited ($'000)	12 Months Ended 30-Jun-19 Audited ($'000)	12 Months Ended 30-Jun-20 Audited ($'000)	12 Months Ended 30-Jun-21 Audited ($'000)
Net increase/(decrease) in cash and cash equivalents	1,938	(4,940)	10,141	1,395
Cash and cash equivalents at the beginning of the period	29,675	31,612	26,672	36,813
Cash and cash equivalents at the end of the period	**31,613**	**26,672**	**36,813**	**38,208**

Source: Vita 2018, 2019, 2020, and 2021 Annual Reports

With reference to Table 5.9 above, we note the following:

- Lease payments in FY20 and FY21 have been separated into interest payments under operating activities and repayments of the principal component under financing activities;
- Capital expenditure of approximately $19.1 million (FY20) and $15.2 million (FY21) was undertaken in relation to ICT acquisitions, refits of Vita's Telstra stores, additional clinics in the Artisan Business, and treatment technology investments for Artisan;
- Receipts from government stimulus of $8.1 million (FY20) and $21.6 million (FY21) include payments received under the Federal Government's JobKeeper wage subsidy program; and
- Vita has used its dividend reinvestment plan to raise equity over the period, which enables investors to reinvest some or all of their dividends in new ordinary shares at a discount determined by the Vita Board.

6.0 Industry Overview

Vita operates primarily within the Retail Information and Communication Technology ('RICT') industry and the Non-Surgical Aesthetics ('NSA') industry. This section sets out an overview of these industries.

The information presented in this section has been compiled from a range of publicly available sources, specific subscription data, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

6.1 Retail Information and Communication Technology Industry

6.1.1 Products and Services

The RICT industry consists of the sale of handsets, accessories and services across mobile networks, fixed and mobile broadband, telephony and Pay TV/Internet Protocol Television ('IPTV'), provided by retailers to consumers and SMEs. Handset and accessories include items such as mobile phones, charging devices or headphones, while mobile services include bundles of voice, short messaging service ('SMS') and data packages.[3] Fixed and mobile broadband describe a class of internet access technologies offering data that do not typically tie up a telephone line exclusively for data. Service plans are offered on both a pre-paid and post-paid basis.

There is a large mobile handset and service market in Australia, with an estimated 17.9 million handsets nationwide in 2019[4]. According to a report published by the Australian Competition and Consumer Commission there are approximately 28 million mobile phone services across Australia as of 30 June 2020, together with a further 4.8 million mobile broadband services in operation ('SIO'), these mobile plans and mobile broadband services account for approximately 80% of all internet access services.

Retailers typically generate their revenue as either up-front revenue from the sale of handsets, accessories or extended warranties, or from commissions from contracting customers for pre-paid or post-paid subscriptions. The retailer is often paid a percentage of account re-charges from Mobile Network Operator ('MNO') or Mobile Virtual Network Operators ('MVNO') for pre-paid subscriptions, while post-paid commissions may be paid up-front, as a trailing fee, or a combination of both. The amount paid to the retailer is normally dependent on the customer's monthly spend and the length of the plan they have entered into.

Table 6.1 below provides a non-exhaustive list of products offered in the RICT industry.

Table 6.1 Products offered in the RICT industry

Product Offering	Description	Retailer Revenue Type
Handsets	Mobile phones offered from a range of providers including: ▸ Apple iPhones; ▸ Samsung Galaxy Series; and ▸ Google Pixels.	▸ Commissions; and ▸ Upfront payments
Accessories and warranties	Technology accessories including: ▸ Headphones; ▸ Charging stations; ▸ Phone cases; and ▸ Screen protectors.	▸ Sale of products
Mobile phone plans	Includes both: ▸ Pre-paid plans; and ▸ Post-paid plans. Mobile phone plans are capable of being purchased in plans that incorporate handset purchase fees. Plans offer SMS, voice and data packages utilising mobile network infrastructure.	▸ Upfront commissions; and ▸ Trailing commissions

[3] *Data packages are mobile data only services.*

[4] *Deloitte, Mobile Nation 2019, commissioned by Australian Mobile Telecommunications Association.*

Product Offering	Description	Retailer Revenue Type
Broadband (fixed line and mobile)	A class of internet access technologies that enables consumer internet access and includes: ▸ ADSL; ▸ HFC cable; and ▸ WiFi, Fixed line refers to the delivery of broadband through a cable, whereas mobile broadband is delivered over the mobile network using portable modems.	▸ Upfront commissions; and ▸ Trailing commissions

Source: BDOCF analysis

According to the IBISWorld industry report "Mobile Phone and Tablet Wholesaling in Australia" the Australian handset market is comprised primarily of iPhones and Android phones, together equalling approximately $7.4 billion in sales in FY21. These handsets are provided by multinational corporations who sell them through a range of outlets, including online, 'brick and mortar', and telecommunication providers. These providers in turn bundle handsets with data and voice plans, resulting in synergies between the industries, and many telecommunication providers promoting product launches to develop their own customer bases. Retail ICT is one 'brick and mortar' channel through which these products are sold.

Continuous developments of new products and improvements over previous devices has been foundational for sales growth over the preceding decade, however increased saturation in the market, slowing product innovation, and falling discretionary income and consumer sentiment has resulted in consumers shifting toward cheaper models and second hand products.

Notwithstanding the above challenges, over the next five years as consumer sentiment and discretionary spending rises in the rebound of COVID-19, and 5G technology becomes more prevalent, it is expected handset revenue will rise[5].

6.1.2 ICT Retailers and Operators

The RICT industry consists primarily of retailers engaging directly with end-users. It is however, heavily dependent upon and impacted by, the rest of the telecommunications industry as it sells services prescribed by network operators, particularly Mobile Network Operators and Mobile Virtual Network Operators in the mobile sector.

While Vita connects customers with fixed-line connections, its primary services, handsets and mobile plans, are orientated around the mobile network. The roles within the mobile sector can be summarised as follows:

- Mobile Network Operators: own and operate the mobile infrastructure (base stations, towers, antennas) to supply mobile telecommunication services to customers. The three MNOs in operation throughout Australia are Telstra, Optus and TPG Telecom ('TPG'). These providers held over 85% of mobile phone service retail market share in FY21 and often own a number of retail outlets themselves or through MNO branded stores owned by other enterprises, such as the arrangement with Vita;
- Mobile Virtual Network Operators: resellers who purchase access to MNO network infrastructure at wholesale rates and resell this space at retail rates to customers. Examples of MVNOs include ALDI mobile (operate on the Telstra network) or Coles Mobile (operate on the Optus network). MNVOs occupy the remaining 15% of the mobile phone services market; and
- Retailers: who sell hardware products and mobile service plans to customers, either under their own brand, or as dealers of MNOs or MVNOs, many of which are exclusive agreements.

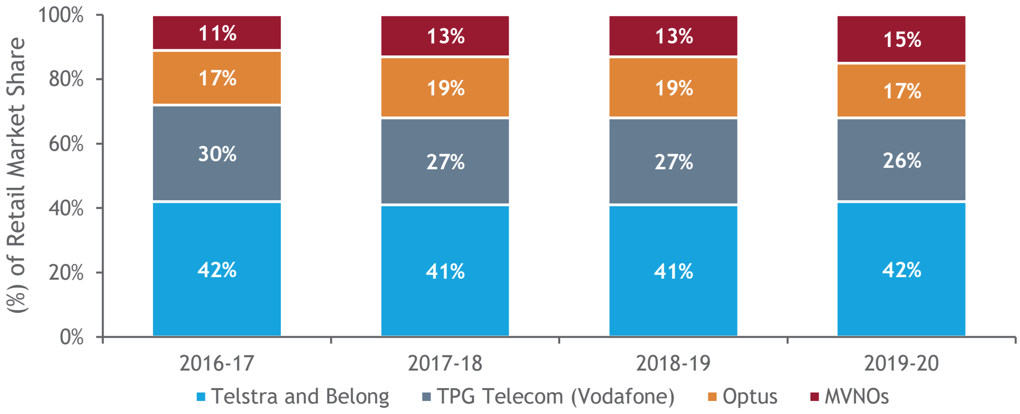
MNO and MVNO products and services are sold through a various sales channels, including:

- Corporate owned outlets and their respective online platforms;
- Third party owned and operated branded retail stores that exclusively sell a certain MNO/MVNO's products and services;
- Independent 'brick and mortar' and online retailers who sell mobile service plans and communication products under their own independent retailer brands; and
- General retailers that sell mobile communication products.

[5] *IBISWorld, Mobile Phone and Tablet Wholesaling in Australia Industry Report, September 2020*

A breakdown of the retail market share for mobile phone services in Australia between Telstra (and their subsidiary Belong), TPG Telecom (Vodafone), Optus and the MVNOs is provided below in Figure 6.1.

Figure 6.1: Retail Market Share for Mobile Phone Services



Source: ACCC Communications Report FY20, BDOCF analysis

6.1.3 RICT Industry Drivers

ICT Retailers are a downstream market for the broader handset and telecommunications industries, usually not creating the products and services they sell, but are outlets to connect end-customers with services from network operators, MVNOs or a range of physical products. As a result, the RICT industry is heavily impacted by changes within the broader telecommunications and retail industries. A change in services offered throughout the telecommunications industry will change what ICT Retailers sell, while changes in the retail industry may impact consumer spending or retail expenses. The key drivers of the RICT industry are provided below in Table 6.2.

Table 6.2: RICT Industry Key Drivers

Driver	Description
Growth in the number of mobile connections	▸ Growth in the number of mobile connections represents a growth in demand for mobile services, but should be distinguished from growth in overall telecommunications demand. Growth in number of mobile connections reflects the total number of individual plans provided in Australia. In contrast, overall demand for mobile telecommunications reflects total usage of these services. COVID-19 has caused a surge in demand for telecommunication downloads but the usage was largely covered under pre-existing connections (for example with unlimited data). ▸ It is estimated there was 37.2 million active mobile connections in Australia in FY20, inferring 1.44 active connections to every person in Australia[6]. Despite saturation of the mobile connections market, IBISWorld expects uptake will outgrow population growth over the year, following the trend of the previous five years. Contributing to this growth has been the cyclical roll-out of 5G technology encouraging additional devices onto 5G networks, the vulnerabilities when servicing rural communities of the National Broadband Network ('NBN') network exposed in the 'black summer' 2020 fires, and increased mobile usage in Internet of Things ('IoT') technologies.
Increased competition	▸ Competition within the RICT industry reflects broader trends in the telecommunications industry. Traditionally, the telecommunications industry has been extremely concentrated due to the large capital investment required to operate at a scale that is commercially viable. The introduction of NBN decreasing reliance on the Telstra network, the growth of Resellers, and the resultant growing trend for substitution of fixed services for mobile services has increased competition in recent years as these barriers to entry are lowered. ▸ Price is a critical factor in competition as customers struggle to differentiate services, although coverage and speed is important. Generally there has been a trend for providers to compete at fixed prices as calls and data provided are unlimited, instead offering extra inclusions in service plans, such as Optus Sport included in Optus plans.

[6] *IBISWorld, Mobile Telecommunications Density Industry Report, June 2020.*

Driver	Description
Change in consumer behaviour towards online shopping	▸ The RICT has been affected by the broader growth in online shopping over the previous decade, outpacing that of traditional retailers. This trend has been accelerated as customers turn to online platforms rather than venturing into retail outlets, increasing network demand. Telstra itself provides an example of this trend, forecasting a target for digital sales as a percentage of total sales of 35% for FY21 in their annual report, with the actual result equalling 39.3%, up from 30.3% in the previous year. ▸ This trend is expected to continue over the next five years as consumers seek convenience and competitive pricing, in turn expanding the online product range and number of online stores. Additionally, as growth in service connections and mobile/network demand continues, consumers will have extended access to online marketplaces.
Change in consumer behaviour	▸ Increased competition in the telecommunications industry in recent years has also extended to changes in consumer behaviour and the consumer's relationship with major providers. This is reflected in Telstra's move to remove lock-in contracts for its mobile service plans and Optus' decision to offer 36-month phone plan contract options, an increase from the previous minimum of 24 months. ▸ These decisions impact retailers. For example, commissions may change if customers leave contracts within a certain period and consumers may purchase phones less regularly if they have the option to pay off the phone over an extended period.
Real household disposable income	▸ Overall telecommunications demand and demand for connections remains largely stable through various economic conditions. ▸ While real household disposable income is forecast to increase by 2.5% in FY22 as working hours increase in the rebound from COVID-19, any decrease in real disposable income can lower average revenue per customer as customers favour cheaper service plans over more expensive ones that include luxury items such as extra data, faster speed, or more international calls. This factor primarily affects the high-end of the market.

Source: IBISWorld, BDOCF analysis

6.1.4 RICT Industry Outlook

The rollout of 5G technology and competition from mobile operators competing with fixed line networks will likely see increased mobile connections throughout the telecommunications industry, while demand in data downloads will increase network usage, and people become more accustomed to convenient and cheap online purchases[7], in turn aiding the shift toward online shopping and away from 'brick and mortar' stores[8].

This shift toward online shopping will likely lead to 'brick and mortar' stores competing more on customer service to differentiate from online competitors[9]. The shifting reliance away from Telstra networks and toward NBN networks will continue, but will be partially offset by Telstra's investments in new mobile networks. Increasing telecommunication competition will likely partially subside as the main players, Telstra, Optus, and the newly merged TPG look to increase profitability rather than market share over the coming five years[10].

Growth in the handset market will be limited through increased competition and market saturation, however will likely still increase based on future technological advances and increases in customer sentiment and discretionary income[11]. These factors will result in revenue growth for the products and services offered within the RICT segment that will be offset by consumer preferences shifting to online mediums.[12]

6.2 Non-Surgical Aesthetics Industry

6.2.1 Overview of Non-Surgical Aesthetics Market

Vita's Artisan Business operates within the Non-Surgical Aesthetics Industry ('NSA'). The Australian industry is estimated at approximately $4.3 billion as of December 2020 and consists of products and services designed to improve body and skin aesthetics. These products and services, and their respective estimated percentage of industry revenue as of December 2020, are outlined below in Figure 6.2.

[7] *IBISWorld: Mobile Telecommunications Density Report June 2020,*
[8] *IBISWorld: Online Consumer Electronics Sales in Australia, December 2020.*
[9] *IBISWorld: Domestic Appliance Retailing in Australia, June 2021.*
[10] *IBISWorld: Telecommunications Resellers in Australia Industry Report, September 2020,*
[11] *IBISWorld: Mobile Phone and Tablet Wholesaling in Australia, September 2020.*
[12] *IBISWorld: Domestic Appliance Retailing in Australia, June 2021.*

Figure 6.2: NSA Industry Composition

Source: SILK Laser Clinics IPO Prospectus, BDOCF analysis

Vita's branded clinics operate under Vita's Artisan Aesthetic Clinics brand. This is a service-based brand providing personalised treatment plans. While the skincare products segment maintains the largest portion of the market, Artisan is primarily orientated around the injectables, skin treatments, body contouring and skin tightening segments. At-home products, such as those primarily used in skincare products, represent an upsell or addition to the other services provided.

6.2.2 *Industry structure*

The broad range of services provided within the non-surgical aesthetics industry is provided by multiple types of enterprises. The range of these enterprises includes:

- Traditional medical centres, dermatologists, or for certain conditions general practitioners;
- Beauty salons;
- Product retailers, both online and in person; and
- Specialist clinics.

Each of these enterprises address a different subset of the non-surgical aesthetics market. Vita's primary competitors are specialist clinics who offer a broad range of products and services, similar to Artisan, and who attempt to build a similar long-term, service-orientated customer relationship. The remaining industry enterprises do compete with Artisan, but more indirectly and usually offer the services in competition with Artisan as an addition to their core business, or do not offer the same scope or purely aesthetic orientation Artisan provides.

6.2.3 *Key industry participants*

The specialist clinic market is primarily comprised of a significant amount of independent clinics and a handful of larger national chains, who provide a similar set of services as Vita. Of the 1,100 estimated specialist clinics in Australia as at September 2020, small chain/single clinic operators accounted for approximately 69% of the total number of clinics, with four larger operators accounting for approximately 31% of the total number of clinics.[13] These larger operators include Laser Clinics Australia, ClearSkinCare Clinics, SILK and Results Laser Clinics. The largest of these competitors being Laser Clinics Australia, who operates about 12% of the number of clinics nationwide. The lack of consolidation in this market is largely due to the significant barriers to entry induced by the regulatory environment, the difficulty in acquiring enough qualified staff to meet these regulatory obligations and the capital requirements to start up clinics with appropriate equipment and build a client base.

6.2.4 *Non-surgical aesthetics demand drivers*

Table 6.3 below summarises the primary demand drivers for the NSA industry.

Table 6.3: Non-surgical Aesthetics Industry Key Drivers

Driver	Description
Consumer Sentiment and Discretionary Spending	▸ Generally considered a discretionary item, aesthetic treatments are sensitive to changes in consumer sentiment and discretionary spending. Consumer sentiment refers to the general outlook of the population in regard to their individual economic and financial situation over the previous and forthcoming year, and discretionary income is the excess of disposable income beyond necessary household expenses. Generally, as consumer sentiment goes down so does industry revenue, similarly, as discretionary spending goes up industry revenue tends to follow. The inverse of these relationships also generally applies.

[13] SILK Laser Clinics IPO Prospectus; Silk Laser Australia Ltd Announcement September 2021.

Health Consciousness	▸ Changes in attitudes toward aesthetic procedures in the previous decades has led to an increased market size as people develop a growing focus on their own personal health and appearance. Some of the trends demonstrating this change in attitude include an increasing acceptance of injectables as an anti-aging solution, rising interest in wellness that is increasing focus on skin health and appearance, and a growing fitness trend leading to many wanting a 'healthy figure'. These trends are reinforced by reports on consumption of alcohol and tobacco, fruits and vegetables, levels of obesity, and participation in sports and physical recreation, with results implying a people are becoming more conscious of health impacts of their activities.
Growth in Target Demographic	▸ The primary demographic in this industry tends to be females aged 34-55, although participation in the industry remains high for females from 18 years and older. Australia's female population has grown at a 1.4% annualised rate for the five years preceding 2021 providing a larger market for NSA's offerings. A larger portion of discretionary spending for those aged 34-55 is the leading cause for the dominance of this demographic, whereas their younger counterparts tend to be at an earlier stage in their working lives and tend to use more 'do it yourself' treatments. The older counterparts are largely in retirement or close to it, and so have lower discretionary spending. Nevertheless, Australia's aging population has led to increasing demand from this older demographic.
Innovations in Industry Technology	▸ Technological developments and innovation in products and services has enabled price decreases in services, while providing services that return better results with less pain. These factors have combined to not only make the products and services more accessible to consumers, but has made the aesthetic products and services offered more enticing, enabling the targeting of new customers and growing interest and participation in the industry.

Source: IBISWorld Hairdressing and Beauty Services in Australia May 2021, SILK Laser Clinics IPO Prospectus, BDOCF analysis

6.2.5 Regulatory considerations

The non-surgical aesthetics industry faces regulatory barriers-to-entry regarding what products can be administered, how they should be stored, and who can administer them. For example, cosmetic injections are classified under the Therapeutic Goods Act 1989 (Cth) as Schedule 4 (Prescription Only) Drugs. This classification creates a requirement for cosmetic injections to be stored and administered by persons properly qualified in accordance with the standards set out by the Nursing and Midwifery Board under section 38 of the Health Practitioner Regulation National Law, as in force in each state and territory.

The requirement to meet these standards restricts the number of potential practitioners and increases organisations' costs through increased staff salaries, costs associated with the development and implementation of procedures to ensure regulatory compliance, and the sourcing of only regulatory approved products. It also creates barriers to expansion of organisations within the industry due to a restricted labour pool, and shifts power toward individual practitioners, who have often spent a long time in the industry, in order to become qualified, and have built relationships with their customer base.

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV'), market-based valuation ('MBV') and industry specific methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

8.0 Valuation of the Retail ICT Business

This section sets out our valuation of the Retail ICT Business as follows:

- Section 8.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing the Retail ICT Business;
- Section 8.2 sets out our valuation of the Retail ICT Business having regard to the DCF approach;
- Section 8.3 sets out a cross-check of our DCF valuation to Vita market trading data; and
- Section 8.4 sets out our conclusion on the appropriate value to adopt for a 100% interest in the Retail ICT Business.

8.1 Our Valuation Approach

We have considered each of the valuation methodologies outlined in Section 7 above and determined, in our view, the most appropriate methodology for calculating the value of the Retail ICT Business. In relation to the valuation methodologies applied, we note:

- We have adopted a DCF valuation methodology as our primary valuation methodology. Our DCF valuation has regard to the DCF valuation model ('the DCF Model') we have developed based on the cash flow projections prepared by Management;
- The terminal values we have adopted at the end of the forecast period are based on a CME valuation methodology. This is consistent with the methodology applied by Telstra in acquiring the licensees not owned by Vita (based on the initial information provided to Vita and the other independent licensees in relation to the transition to Telstra's corporate ownership model for retail stores);
- To cross-check our DCF valuation methodology, we have considered:
  - An MBV. As Vita's share price trading reflects both the Retail ICT Business and the Artisan Business, we have completed our cross-check by calculating implied multiples for the remaining Artisan Business after subtracting our valuation of the Retail ICT Business from the market capitalisation. We have then considered the reasonableness of these implied multiples; and
  - An ABV where we compare the DCF valuation to our ABV calculations for the Retail ICT Business that rely on the 30 June 2021 pro forma statement of financial position.

8.2 DCF Valuation of the Retail ICT Business

Our DCF valuation of the Retail ICT Business is set out as follows:

- Section 8.2.1 sets out the basis of the DCF Model;
- Section 8.2.2 sets out the key assumptions adopted in the DCF Model;
- Section 8.2.3 sets out our DCF valuation of the Retail ICT Business; and
- Section 8.2.5 sets out our equity valuation of the Retail ICT Business on a controlling interest basis.

8.2.1 Basis of the DCF Model

For the purposes of our DCF valuation of the Retail ICT Business, we developed the DCF Model based on the following:

- The financial model provided by Management ('the RICT Model') which sets out Management's view of the future cash flows expected from the Retail ICT Business until the TDA expiry in FY25 under their view of a 'conservative' and 'optimistic' scenario, that considered, amongst other matters:
  - The ongoing operational impact to the Retail ICT Business due to COVID-19; and
  - Telstra's ability to vary the remuneration model under the TDA at any time;
- Our critical analysis of the reasonableness of the RICT Model and the underlying assumptions including:
  - Analysing the integrity and mathematical accuracy of the RICT Model;
  - Comparing historical results with forecast performance;
  - Where required, making changes to the financial assumptions underpinning the RICT Model;
  - Making enquiries of Management to confirm the reasonableness of company specific assumptions and the basis of the forecast; and
  - Considering the impact of key industry risks, growth prospects and general economic outlook;
- Completing research to determine reasonable macro-economic assumptions to adopt;
- Completing research to determine an appropriate discount rate to adopt; and
- Undertaking a scenario and sensitivity analysis regarding material assumptions.

Our work in relation to the DCF Model did not include undertaking a review in accordance with ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. We do not express an opinion on the achievability of the forecast and the assumptions adopted in the DCF Model do not represent projections. Rather, the assumptions are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. Nothing has come to our attention through our procedures to suggest the assumptions underlying the DCF Model are not reasonable for the purposes of the DCF valuation.

Many of the assumptions adopted in the DCF Model are subjective and may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined in this Report. There can be no guarantee that the cash flow forecasts or valuation calculations will hold for any length of time as circumstances are continually changing. Noting the uncertainty inherent in future cash flows, we have developed a number of scenarios in Section 8.2.3 to reflect a range of potential outcomes along with completing a sensitivity analysis.

8.2.2 Assumptions Adopted in the DCF Model

This section sets out the key assumptions adopted in the DCF Model.

8.2.2.1 General Assumptions

General assumptions incorporated into the DCF Model include:

- Annual earnings and cash flow forecasts from FY22 to FY25 ('the Forecast Period') in nominal terms on a store-by-store basis and at a consolidated level;
- The current TDA with Telstra will be concluded on 30 June 2025 which coincides with the end of the forecast period for the DCF Model;
- Management's best estimate as to the closure, operation or fit out of the stores;
- No further store acquisitions, divestments or closures until the TDA expiry;
- The value adopted for the DCF valuation is on cash and debt free basis; and
- All cash flows have been discounted to 1 October 2021, adopting a mid-year discounting convention which assumes cash flows are received evenly throughout the year.

8.2.2.2 Revenue

Table 8.1 below sets out a summary of the annual revenue growth assumptions adopted in the DCF Model. The growth rate is initially applied to the FY21 figure and annually thereafter.

Table 8.1: Annual Revenue Growth Assumptions

Key Category	FY22	FY23	FY24	FY25
Connection volume	0.0%	(2.0)%	(5.0)%	(5.0)%
Hardware and accessory sales	0.0%	(2.0)%	(5.0)%	(5.0)%
Fee income	(3.0)%	(3.0)%	0.0%	0.0%
Sprout sales	1.2%	(4.0)%	(5.0)%	(5.0)%

Source: Vita Management and BDOCF analysis

With reference to Table 8.1 above, we note the following:

- Management expect the reduction in the revenue arising from COVID-19 to continue into the future with further declines over the Forecast Period in connection volume, hardware and accessory sales due to the shift toward online sales;
- Management expect the fee income rate to decline over the first two years due to changes in the remuneration model with Telstra, which will adversely affect margins. The growth rate assumptions do not allow for any further pricing revisions that could occur from time to time at Telstra's discretion;
- Sprout sales increased by 1.2% between FY21 and FY22 with subsequent year growth rates driven by the year on year percentage change in gross profit of the Retail ICT Business (excluding Sprout revenue and expenditures); and
- Management expect incremental growth in net earnings from Sprout's business to business ('B2B') customers over the Forecast Period.

8.2.2.3 Expenses

Table 8.2 below sets out a summary of the annual expense growth assumptions adopted in the DCF valuation. The growth rate is initially applied to the FY21 figure and annually thereafter.

Table 8.2: Annual Expense Growth Assumptions

Key Category	FY22	FY23	FY24	FY25
Store labour rate	2.0%	2.0%	2.0%	2.0%
Store labour hours	(5.0)%	(3.0)%	(1.0)%	(1.0)%
Rent on leases	3.0%	3.0%	3.0%	3.0%
General expenses	(5.0)%	(5.0)%	(10.0)%	(10.0)%
Administration	(5.0)%	(5.0)%	(10.0)%	(10.0)%
Operations	(5.0)%	(5.0)%	(10.0)%	(10.0)%
Contact Centre	(30.0)%	(30.0)%	3.0%	3.0%
Support	(5.0)%	(5.0)%	(10.0)%	(10.0)%
Product and marketing	(5.0)%	(5.0)%	(10.0)%	(10.0)%

Source: Vita Management and BDOCF analysis

With reference to Table 8.2 above, we note the following:

- Management expect consolidation efficiencies to reduce store labour hours by 5.0% in FY22, 3.0% in FY23 and 1.0% per annum thereafter;
- Management expect store labour costs to increase at 2.0% per annum; and
- Management expect general expenses, administration, operations, support and product and marketing costs to contract by 5.0% in FY22 and FY23, before reducing by a further 10.0% thereafter as a result of tight expense management and further consolidation efficiencies.

We also note that:

- Product rebates for the Telstra licenced stores move in line with the year on year percentage change in store cost of goods sold ('COGS');
- Sprout COGS growth rates are driven by the year on year percentage change in gross profit of the Retail ICT Business (excluding Sprout revenue and expenditures); and
- We have adopted corporate overheads consistent with Management's estimate and apportioned 70.0% of Vita's general corporate overheads to the Retail ICT Business (which inherently assumes that the remaining 30% relate to the Artisan Business). To estimate corporate overheads over the Forecast Period, Management have considered the resources necessary to operate the Retail ICT Business to expiry of the TDA. Broadly, corporate overheads start at approximately $21m in FY22 and decrease to approximately $15m in FY25.

8.2.2.4 Income Tax

The DCF valuation assumes income tax expense on the forecast taxable income at the Australian corporate tax rate of 30.0%.

8.2.2.5 Working Capital and Other Closure Costs

The net working capital movement has been determined with reference to the FY21 Retail ICT Business receivable days of 14 days, payable days of 47 days and inventory days of 16 days. We have assumed, at the expiry of the TDA, the Retail ICT Business will unwind and repay $12.4 million of negative working capital and other payable items related to the Retail ICT Business at the Expiry Date.

The DCF valuation also adopts Management's total closure costs of $11.9 million, which consists of employee entitlements and redundancies, vested long service leave, consultancy, advisory and legal fees, retention allowances and a contingency for other closure costs. For completeness, we note Telstra would not be responsible for any of the closure costs in relation to the stores not acquired or any corporate costs incurred by Vita on expiry of the TDA.

8.2.2.6 Capital Expenditure and Depreciation

The total capital expenditure cost is expected to be $20 million over the Forecast Period to meet the minimum FRE 1.5 format fit out requirement under the TDA. Each store fit out is assumed to have a seven-year useful life from the date of the fit out with no salvage value after this time period. Each fit out store is subsequently depreciated on a straight line basis over seven years for tax purposes.

8.2.2.7 Discount Rate

The discount rate represents the rate of return that capital providers expect from their capital contribution and is typically based on the weighted average cost of capital ('WACC') for the asset being valued. In broad terms, the

WACC considers the rate of return required by capital providers given the riskiness of the future cash flows and the cost of financing using debt instruments for the relevant asset. In selecting a discount rate appropriate for the Retail ICT Business, we have considered the following:

- The projected cash flows of the Retail ICT Business;
- The required rate of return of comparable companies;
- The capital structure of comparable companies;
- The cost of equity derived from applying the capital asset pricing model ('CAPM') methodology (a commonly used methodology for deriving the cost of equity). In relation to CAPM, we note the cost of equity capital is determined by multiplying the market risk premium by an appropriate beta and adding the risk-free rate. Our view on the appropriate inputs to the CAPM to apply in the circumstances are as follows:
  - A risk-free rate of 0.64% based on the Australian Government 5-year bond rate as at 22 September 2021. For completeness, we note that the current Australian Government 5-year bond rate is at historical lows relative to the average 5-year bond rate of 1.41% and 2.07% over the past 5 and 10 years respectively. We have considered the longer term average bond rates in forming our view on an appropriate discount rate range;
  - An equity market risk premium of 6%;
  - A beta in the range of 0.95 to 1.10;
- A corporate tax rate of 30%;
- The 1.50% small stock premium has been derived from Duff & Phelps Small Stock Premium 2018 study, which we have scaled to the Australian market;
- The CAPM assumes investors are diversified and not concerned with the specific risk of a particular investment. In our view, investors may apply a company specific risk premium to reflect certain risks that cannot be readily allowed for in the base case cash flows for a company. As the company specific risk factors have been captured in the cash flow forecast through our sensitivity analysis, we have not applied specific risk premium in the discount rate;
- A value for imputation credits (γ) of nil. This assumption has been made with reference to the fact that imputation credits for Australian companies are available to domestic investors only and that not all investors in Vita are Australian. The marginal investor is likely to be an investor who is not entitled to claim imputation credits; and
- Current market conditions including heightened market uncertainties in relation to COVID-19.

Taking the above factors into consideration as well as the nature of the Retail ICT Business, we believe it appropriate to adopt a nominal after-tax discount rate for the Retail ICT Business in the range of 7.0% to 9.0% for the purposes of the analysis set out in this Report. We have set out a sensitivity analysis on the discount rate in Section 8.2.3 to assist users of this Report that may have an alternative view on an appropriate discount rate or would like to understand the impact of applying an alternative discount rate.

8.2.2.8 Terminal Payment for Vita Stores

As discussed in Section 5.2.4, upon expiry of the TDA, Telstra has the right, without the obligation, to purchase one or more stores form Vita at the fair market value. However, we note that the number of stores that Telstra may purchase at expiry of the TDA is uncertain and there is no guarantee that any stores would be purchased. We have made enquiries of Management regarding the potential sale of Vita's Telstra branded retail store network upon expiry of the TDA. Based on the results of our enquiries, we understand the number of stores that Telstra would likely purchase from Vita is uncertain at the date of this Report.

We further understand that the individual store acquisitions by Telstra may depend on various factors that include:

- Profitability of the specific stores;
- Attractiveness of the lease terms;
- Completion of the FRE 1.5 fit out; and
- Attractiveness of specific locations relative to the broader Telstra store network.

For the purpose of this Report, we have considered a number of scenarios and deem it appropriate to consider:

- At the higher end of the valuation range, we have assumed 89 store acquisitions by Telstra which represents the total number of stores (pre and post FY21) that have been or are forecast to be converted to FRE 1.5 fit out format by the expiry of the TDA;
- At the lower end of the valuation range, we have assumed 44 store acquisitions by Telstra which represents half the total number of stores (pre and post FY21) that have been or are forecast to be converted to FRE 1.5 fit out format by the expiry of the TDA; and
- For completeness, we note that in the current negotiations, Telstra have identified 34 key Retail ICT store leases.

In determining the fair market value of the Telstra branded retail stores, we have also had regard to the initial discussions and documentation between Telstra and the independent licensees concerning Telstra's transitional arrangements to a corporate ownership model of their retail store network, which have been provided by Management. Due to the commercially sensitive nature of these arrangements, the information available to Management has not been set out in this Report.

The DCF Model assumes that any stores not acquired by Telstra at the Expiry Date require Vita to incur make-good expenditures as part of their obligations under the respective store leases.

8.2.2.9 Terminal Value for Sprout

We have adopted a terminal value for Sprout at the end of the Forecast Period based on the projected FY25 Sprout EBITDA for both the high and low valuation ranges. For this purpose, we have adopted a terminal EBITDA multiple (on a controlling interest basis) of 5.5 times, being the midpoint of the range between 5.0 times to 6.0 times after having regard to other Australian based retailers. However, we note that the majority of Sprout revenue comes from Telstra aligned stores, with Telstra retaining discretion over the determination of margins and whether or not Sprout products are able to be sold in Telstra affiliated stores. Given the existence of this material risk, Scenario E in Table 8.3 below outlines a scenario where Sprout has no terminal value.

8.2.2.10 Projected Free Cash Flow to the Firm

Figure 8.1 graphs the projected free cash flows to the firm ('FCFF') that we have adopted for our DCF valuation of the Retail ICT Business over the explicit forecast period to FY25, inclusive of the FY25 exit costs, adjustments and terminal value payments. We note that the $2.0m difference between FY22 and FY23 is a result of the cash flows for the financial year being pro-rated to the valuation date of 1 October 2021. In subsequent years we have assumed that further reductions in revenue would be offset by similar reductions in expenses.

Figure 8.1: Projected Free Cash Flows of the Retail ICT Business from FY22F-FY25F (Nominal)

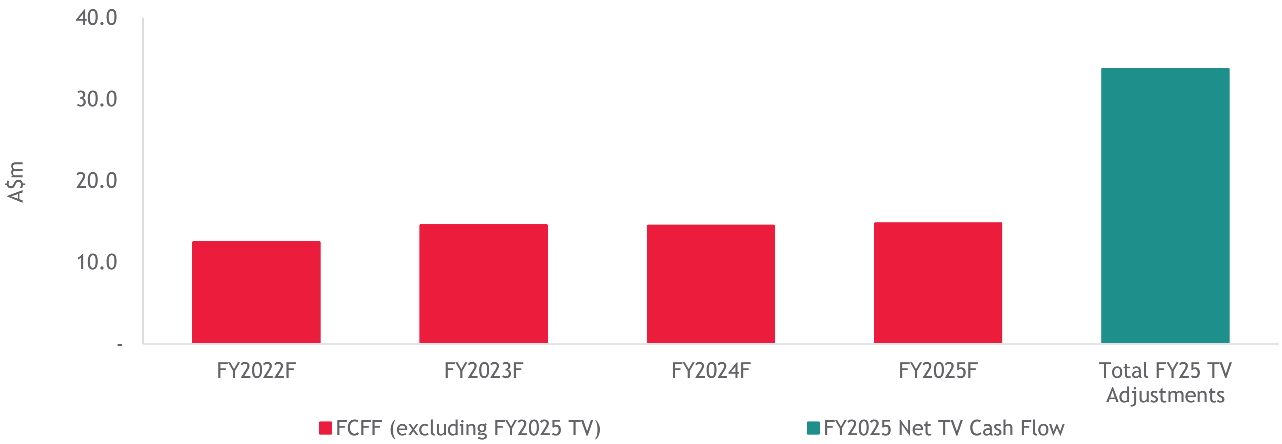
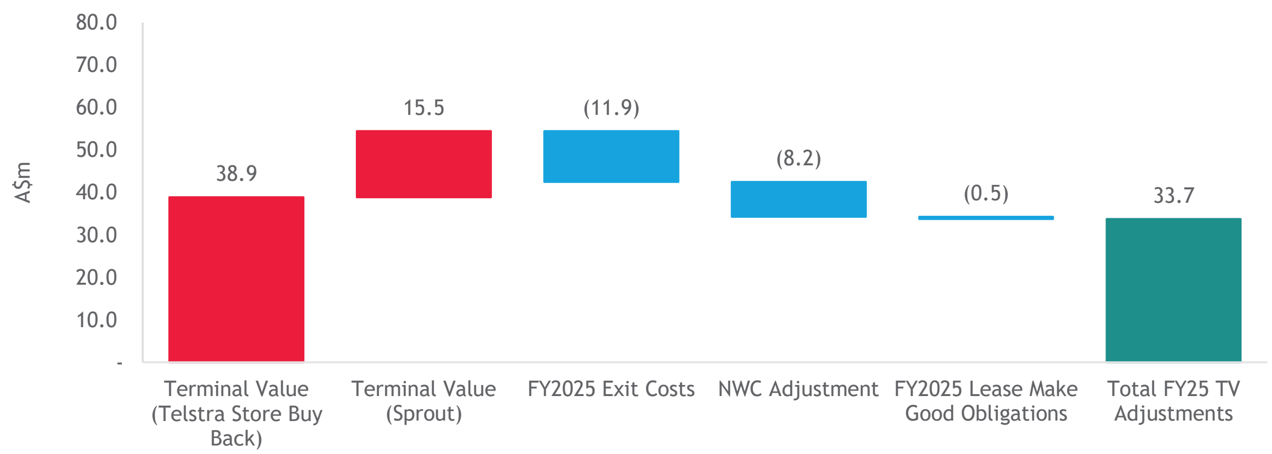


Figure 8.2 illustrates the components of the FY25 net terminal value cash flow displayed in Figure 8.1 above. These figures assume all of the 89 FRE 1.5 fit out stores are acquired by Telstra at the expiry of the TDA.

Figure 8.2: Contribution to FY25 Net TV Cash Flow (Nominal)



1. We note that the FY25 exit costs relate to the exit costs as at the Expiry Date, as opposed to the exit costs considered to determine the net transaction consideration in Section 4.2.1.3.

8.2.3 DCF Valuation of the Retail ICT Business

8.2.3.1 Adopted DCF Value for the Retail ICT Business

Having regard to the assumptions outlined above, Table 8.3 summarises our estimated enterprise value for the Retail ICT Business using a DCF valuation methodology and having regard to:

- The Directors' best estimate of the future performance of the Retail ICT Business; and
- The range of NPVs under the various scenarios and sensitivities (outlined below), to determine our view of an appropriate low and high value.

Table 8.3: Adopted DCF Valuation Range for the Retail ICT Business

	Low $(m)	High $(m)
DCF Value	50.0	80.0

Source: BDOCF analysis

In our view, for the purpose of this Report, it is appropriate to adopt an enterprise value in the range of $50.0 million to $80.0 million for 100% of the Retail ICT Business. We have set out a sensitivity analysis in Section 8.2.3.2 (below) to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work.

The DCF valuation is based on the projected free cash flow to the firm ('FCFF'). Given the inherent uncertainty with respect to COVID-19, how many stores Telstra would acquire on expiry of the TDA and the material affect these variables have on the DCF valuation of the Retail ICT Business, a range of scenarios have been considered to assist in determining the DCF valuation range.

8.2.3.2 Scenario Analysis

The DCF valuation of the Retail ICT Business is based on a number of assumptions that are subject to uncertainty. We have completed a sensitivity analysis on a number of key inputs that are based on different commercial scenarios to compute the enterprise value of the Retail ICT Business.

Table 8.4: DCF Scenario Commentary

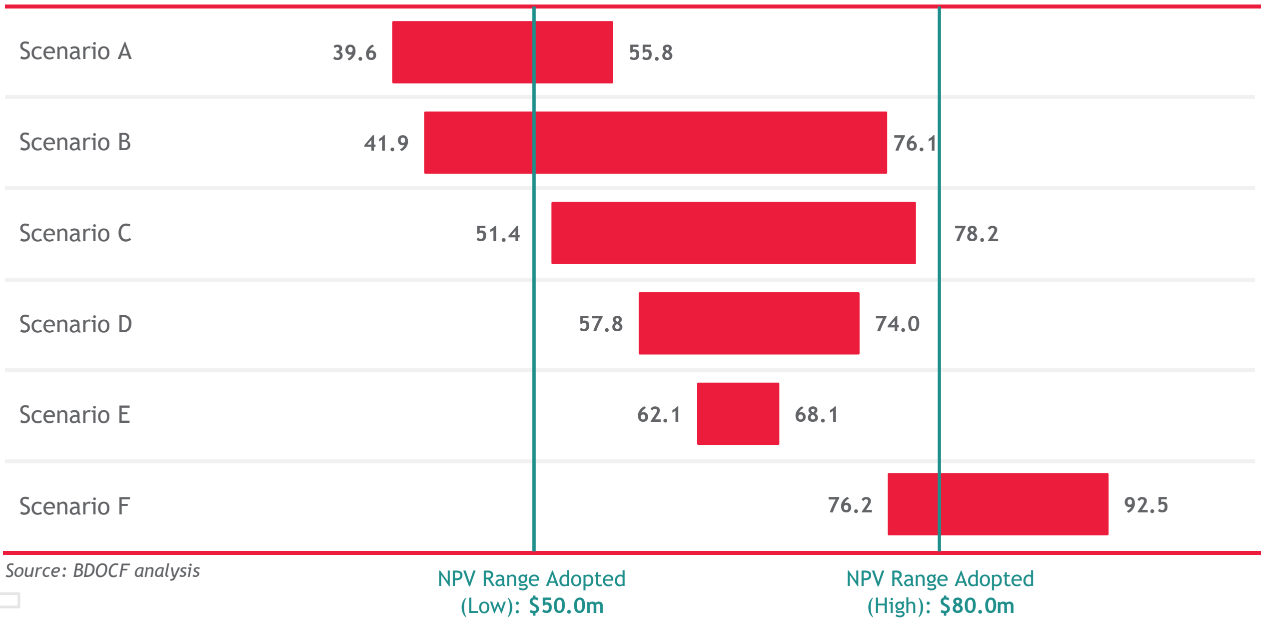
Scenario	Description
Scenario A	**FY22 Earnings Impacted by COVID-19 Lockdowns** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ Due to the impact of COVID-19 and subsequent lockdowns in FY20 and FY21, this scenario assumes that FCFF for the Retail ICT Business in FY22 are reduced by an additional 25.0% before returning to the base case FCFF for the remainder of the Forecast Period; ▸ The low range assumes only the pre-FY21 FRE 1.5 fit out stores (34) of the 89 FRE 1.5 fit out stores are purchased by Telstra at the Expiry Date; and ▸ The high range assumes Telstra purchase all 89 of the FRE 1.5 stores at the Expiry Date.
Scenario B	**Telstra Buy All or No Stores** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ The low range assumes Telstra does not purchase any stores at the Expiry Date; and ▸ The high range assumes Telstra purchases all of Vita's stores (89 of the fit out stores and the remaining 15 stores) at the Expiry Date.
Scenario C	**Telstra Pay a Discount or Premium on the Terminal Value Store Multiple** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ Given the impact the terminal value has on the valuation and the inherent uncertainty surrounding the determination of a terminal value for Vita's stores as at the expiry date of the TDA, a discount and premium has been applied to the terminal value multiple for Vita's stores to determine the low and high valuation range; ▸ The low range assumes only half (44) of the 89 FRE 1.5 fit out stores are purchased by Telstra at the Expiry Date; and ▸ The high range assumes Telstra purchase all 89 of the FRE 1.5 fit out stores.
Scenario D	**Telstra Buy 89 or 44 Stores** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ The low range assumes only half (44) of the 89 FRE 1.5 fit out stores are purchased by Telstra at the Expiry Date; and ▸ The high range assumes Telstra purchase all 89 of the FRE 1.5 fit out stores at the Expiry Date.

Scenario	Description
Scenario E	**Sprout has a Terminal Value Multiple of 0x to 2.75x** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ The low range assumes a zero terminal value multiple for the Sprout business and the high range assumes a terminal value multiple of 2.75x (compared with the general assumption of a 5.5x multiple as outlined in Section 8.2.2.9); ▸ The low range assumes only half (44) of the 89 FRE 1.5 fit out stores are purchased by Telstra at the Expiry Date; and ▸ The high range assumes Telstra purchase all 89 of the FRE 1.5 fit out stores.
Scenario F	**Net Revenue and All Costs are Constant Across the Forecast Period** ▸ This scenario assumes the above general assumptions from Section 8.2.2; ▸ The FY22 revenue and cost structure over the forecast period remains the same; ▸ Australia broadly meets its vaccination targets in FY22 and Vita's foot traffic returns to or exceeds pre-COVID-19 levels that enables Vita to continue as business as usual. Alternatively, or in addition to the previous assumption, Telstra may not make further changes to the remuneration model; ▸ The low range assumes only half (44) of the 89 FRE 1.5 fit out stores are purchased by Telstra at the Expiry Date; and ▸ The high range assumes Telstra purchase all 89 of the FRE 1.5 fit out stores.

Source: BDOCF analysis

The below figure graphically illustrates the DCF valuation ranges for the above scenarios.

Figure 8.3: DCF Valuation Range - Scenario Analysis $(million)



Source: BDOCF analysis

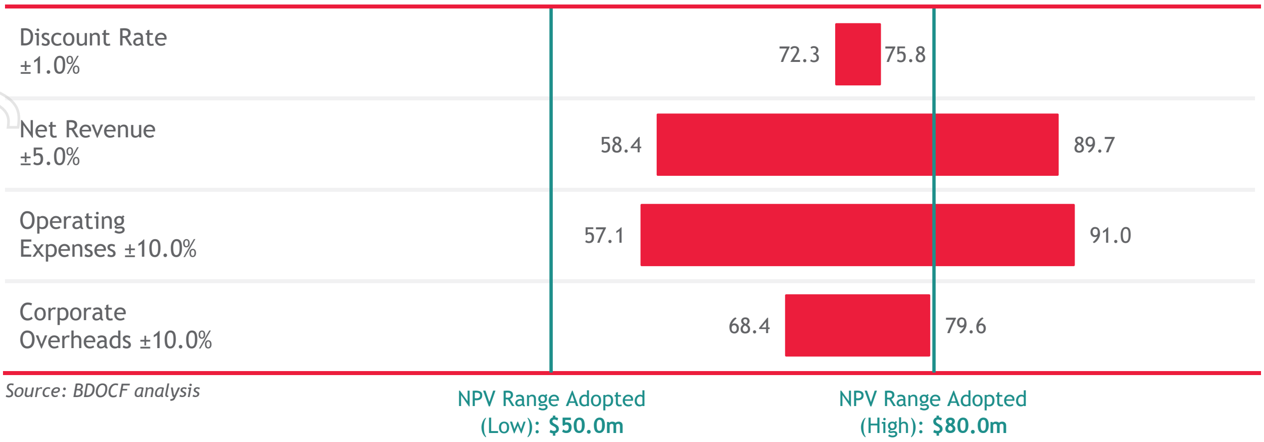
8.2.3.3 Sensitivity Analysis

We have also sensitised the following variables in isolation, based on the assumptions that underpin the high case of Scenario D:

- An absolute ±1% change in the discount rate;
- ±5% increase in net revenue;[14]
- ±10% increase in Retail ICT store and Sprout operating expenses (does not apply to corporate overheads); and
- ±10% increase in corporate overheads (does not apply to Retail ICT stores or Sprout operating expenses).

[14] Net revenue comprises both Retail ICT and Sprout revenue items, COGS, product rebates and B2B sales.

Figure 8.4: DCF Valuation Range - Sensitivity Analysis $(million)



Source: BDOCF analysis

Table 8.5 below summarises the impact on our DCF valuation of the Retail ICT Business using the high and low ends of our discount rate range and sensitising how many stores are acquired by Telstra at the expiry of the TDA. We note that the intersection of 89 stores and a discount rate of 8.00% is the high range value of Scenario D, whilst the high and low range of the column with a WACC of 8.00% represents the high and low range of Scenario B.

Table 8.5: DCF Value Sensitivity to Changes in the Discount Rate and Number of Stores Acquired $(m)

	Discount Rate % (WACC)				
Number of Stores	**7.00%**	**7.50%**	**8.00%**	**8.50%**	**9.00%**
105	77.9	77.0	76.1	75.2	74.3
89	75.8	74.9	74.0	73.2	72.3
52	60.1	59.5	58.8	58.2	57.6
44	59.0	58.4	57.8	57.2	56.7
0	42.6	42.3	41.9	41.6	41.3

Source: BDOCF analysis

Users of this Report should note that:

- In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the assumptions assumed (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

8.3 Cross-check to Market Trading Data

8.3.1 Overview

In this section we have cross-checked our valuation of the Retail ICT Business having regard to the market based valuation methodology. To cross-check our valuation of the Retail ICT Business we have:

- Calculated the value of Vita as a whole, implied through exchange trading prices. Exchange traded prices of a company's shares should generally incorporate the influence of all publicly available information relevant to value. Where the market is fully informed and liquid, the market price of a company's shares can be expected to provide an objective assessment of the fair value of those shares. As discussed in Section 5.5.2, it is our view that Vita shares display a high level of liquidity with approximately 4% to 6% of shares outstanding trading each month between March 2021 and September 2021;
- Subtracted our valuation of the Retail ICT Business;
- Adjusted for cash and net debt (to the extent they haven't been incorporated into our valuation of the Retail ICT Business);
- Allocated the residual balance to the Artisan Business; and
- Considered the reasonableness of the implied value of the Artisan Business.

Vita maintains continuous disclosure to the market and has provided timely updates in relation to its operational performance over an extended period. In our view, the information available to the market in relation to Vita should allow investors to make a fully informed decision in relation to the value of Vita shares. Notwithstanding this, relying on Vita share trading data is more complicated because of uncertainty in the relation to the TDA. Specifically, we note:

- Share trading data prior to 11 February 2021 does not incorporate any impact from Telstra's decision to move to a full corporate ownership model; and
- Share trading data between 11 February 2021 and the announcement of the Proposed Transaction reflects uncertainty in relation to the ultimate outcome of negotiations between Vita and Telstra in relation to TDA. Over this time frame, neither Vita nor Telstra has had sufficient certainty to provide an update to the market beyond the fact that negotiations were ongoing.

8.3.2 Value for 100% of Vita Implied by the Market

To complete our market-based valuation of Vita prior to the Proposed Transaction, we have had regard to the Company's share trading data in the period prior to the announcement of the Proposed Transaction. We have not considered the share trading data of Vita post the announcement of the Proposed Transaction as, in our view, the prices at which the Company's shares have traded post the announcement of the Proposed Transaction may include value (positive or negative) attributed by the market in relation to the Proposed Transaction.

For the purposes of this analysis, we consider it appropriate to adopt a value per Vita share in the range of $0.85 to $0.95. In relation to this adopted range, we note:

- We have considered the share price post Telstra's announcement on 11 February 2021;
- The monthly VWAPs set out in Table 5.4 from 11 February 2021 are in the range of $0.85 to $1.01; and
- The lowest share price over the period 11 February 2021 to 10 September 2021 was $0.81 on 11 February 2021. The highest share price over the same period was $1.03 on 15 July 2021.

8.3.3 Implied Value for the Artisan Business

8.3.3.1 Apportionment of Value to the Artisan Business

Table 8.6 below sets out our implied value for the Artisan Business prior to the Proposed Transaction.

Table 8.6: Calculation of Implied Value of the Artisan Business

	Low[1]	High[1]
Adopted value per Vita share ($)	0.85	0.95
Number of shares on issue	165,604,453	165,604,453
Market capitalisation ($ million)	**140.8**	**157.3**
Adjustments		
The Retail ICT Business ($ million)	50.0	80.0
Add cash as at 31 August 2021 ($ million)	21.6	21.6
Less debt as at 31 August 2021 ($ million)	(6.3)	(6.3)
Implied value for the Artisan Business ($ million)	**75.5**	**62.0**

Source: BDOCF analysis and Vita Management

1. The low column calculates the implied value based on the low end of the share price range and the low end of our DCF valuation range for the Retail ICT Business. The high column calculates the implied value based on the high end of the share price range and the high end of our DCF valuation range for the Retail ICT Business.

8.3.3.2 Implied Multiples

To assist in forming a view on the reasonableness of the implied value for the Artisan Business, we have calculated implied revenue and EBITDA multiples for the Artisan Business and compared them to Silk Laser Australia ('Silk'), who are Artisan's closest Australian listed comparable. For reference, see Appendix A for a list of other publically comparable companies operating in the Non-Surgical Aesthetics industry.

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Table 8.7: Implied Multiples for Artisan Business and Comparable Multiples

	Low	High
Artisan Business		
Implied enterprise value for the Artisan Business ($ million)	62.0	75.5
LTM Revenue ($ million)	28.4	28.4
Implied EV/Revenue multiples (x)	2.2x	2.7x
EBITDA - pre-AASB-16 and after corporate overheads ($ million)	(7.1)	(7.1)
Implied EV/EBITDA pre-AASB-16 multiples (x)	NM	NM
Silk Laser Australia Ltd		
LTM EV/Revenue multiples (x)	2.2x	5.7x
LTM EV/EBITDA - pre-AASB-16 and after corporate overheads ($ million)	9.8x	50.5x

Source: BDOCF analysis, Capital IQ, Vita Management

With respect to Table 8.7 we note:

- The Artisan Business (low) implied revenue multiple of 2.2x utilises the implied value for the Artisan Business of $62.0 million from Table 8.6 above and the (high) implied revenue multiple of 2.7x utilises the implied value for the Artisan Business of $75.5 million;
- Artisan's EBITDA pre AASB16 after corporate overheads include a JobKeeper amount of $1.7 million;
- Given the Artisan Business has a negative EBTIDA, the EBITDA multiples are not a meaningful comparison to the Silk EBITDA multiples;
- Silk's LTM trading range is between 15 December 2020 (listing date) and 22 September. Over this period:
  - The lowest revenue and EBITDA multiple of 2.2x and 9.8x respectively occurred on 24 August 2021; and
  - The highest revenue and EBITDA multiple of 2.7x and 50.5x respectively occurred on 19 February 2021;
- The implied revenue multiples of the Artisan Business are at the low end of the range of Silk's revenue multiples;
- When comparing the implied Artisan Business valuation multiples with the multiple range of Silk, the valuation multiples for the Artisan Business are towards the lower end of the range. However, we note that Vita and Silk's business models are not perfectly comparable as Silk operates certain stores under a franchisee model and, all else equal, a premium may apply to a franchise model relative to a corporate ownership model; and
- The Artisan Business, along with similar businesses, were affected by the government mandated lockdowns throughout Australia in FY21, remaining closed or with reduced foot traffic relative to normal operating conditions for lengthy periods of time throughout the financial year.

In our view, the implied revenue multiples for the Artisan Business are at the high end of what we would consider appropriate for the Artisan Business. The Artisan Business is not EBITDA positive after corporate overheads making comparison of the EBITDA multiples non-meaningful. Some possible reasons for the higher implied revenue multiples for the Artisan Business include:

- At a group level, Vita has a $75 million franking credit balance which domestic shareholders may be able to benefit from in the future;
- Although the market capitalisation of Vita may reflect all publically available information, there has been limited disclosure surrounding the transitional arrangements and negotiations between Vita and Telstra since Telstra announced their transition to a corporate ownership model on 11 February 2021; and
- The Artisan Business is in the growth phase of its business cycle and in a growth industry, both of which would command higher premiums relative to other companies with less favourable growth characteristics.

8.3.4 Conclusion on Cross-check

It is our view that the MBV cross-check does not provide any information to indicate that our valuation of the Retail ICT Business is not appropriate for use in this Report. We reiterate, as stated above, that relying on Vita share trading data is more complicated because of uncertainty in relation to the TDA. Specifically, we note:

- Share trading data prior to 11 February 2021 does not incorporate any impact from Telstra's decision to move to a full corporate ownership model; and
- Share trading data between 11 February 2021 and the announcement of the Proposed Transaction reflects uncertainty in relation to the ultimate outcome of negotiations between Vita and Telstra in relation to TDA. Over this time frame, neither Vita nor Telstra has had sufficient certainty to provide an update to the market beyond the fact that negotiations were ongoing.

8.4 Cross-check to Asset Based Valuation of Vita

8.4.1 Overview

In this section we have cross-checked our DCF valuation of the Retail ICT Business as at 1 October 2021 having regard to the asset based valuation methodology.

To cross-check our valuation of the Retail ICT Business we have:

- Adopted the value of the Retail ICT Business net assets on cash free debt free basis based on the pro-forma statement of financial position for the Retail ICT Business (see Table 5.2). We note that there has not been any significant changes in the net assets of the Retail ICT Business since 30 June 2021 and we consider this balance sheet date a suitable proxy for the purposes of the analysis set out in this Report;
- Calculated the net tangible assets of the Retail ICT Business by excluding the values assigned to intangible assets and goodwill; and
- Compared the net assets and net tangible assets figures with our DCF valuation range.

Table 8.8 sets out our ABV range of the Retail ICT Business as at 30 June 2021 and Figure 8.5 compares this valuation range with the DCF valuation range.

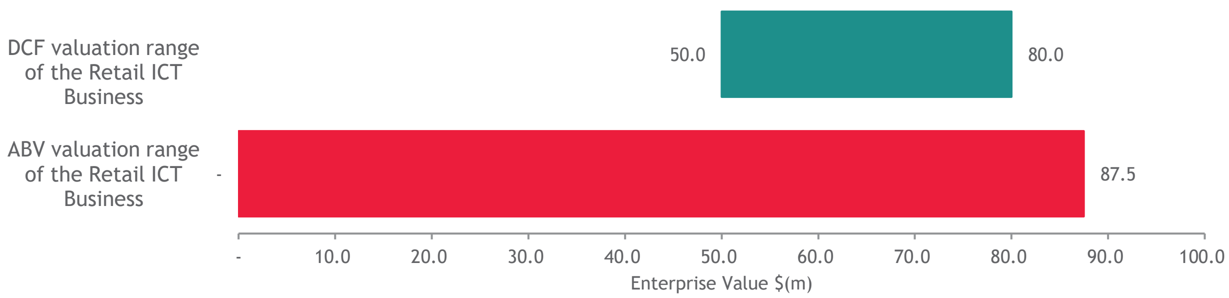
Table 8.8: Calculation of Net Assets and Net Tangible Assets

	Unaudited As at 30 June 21 ($'000)
Reported net assets as at 30 June 2021	84,934
Adjustments:	
Less cash	(3,094)
Add debt	5,645
Reported net assets on cash free debt free basis	**87,485**
Less intangibles and goodwill	(87,816)
Net tangible assets	**(331)**

Source: BDOCF analysis and Vita Management

In our view, it is appropriate to adopt an ABV in the range of negative $0.3 million (which we have rounded to $Nil) and $87.5 million. The low end of our ABV is equal to the net tangible assets of the Retail ICT Business and the high end of our valuation range is equal to reported net assets.

Figure 8.5: Comparison of ABV Range to DCF Valuation Range



Source: BDOCF analysis

With respect to Table 8.8 and Figure 8.5 above, we note that:

- The valuation range of $Nil to $87.5 million represents the ABV range, with the low end of the ABV range based on the net tangible assets of the Retail ICT Business and the high end of the valuation range based on the net assets of the Retail ICT Business;
- The DCF valuation range of $50 million to $80 million falls within the ABV range; and
- The DCF valuation range of $50 million to $80 million is greater than the net tangible assets of the Retail ICT Business but less than the net assets of the Business when intangible assets and goodwill are included.

8.4.2 Conclusion on Cross-check

Our consideration of the ABV as a cross-check did not provide any information to indicate that our valuation of the Retail ICT Business was not appropriate for use in this Report.

8.5 Conclusion on Value Adopted for the Retail ICT Business

Having regard to our valuation of the Retail ICT Business, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value in the range of $50.0 million to $80.0 million. We consider this a controlling interest value. This valuation range was determined primarily having regard to the DCF methodology. Our consideration of the MBV and ABV as cross-checks did not provide any information to indicate that our valuation of the Retail ICT Business was not appropriate for use in this Report.

For completeness we note that the valuation range adopted above is a relatively wide range. It is our view that it is appropriate to adopt a relatively wide range having regard to the uncertainty associated with cash flows for the remaining term of the TDA and the impact of COVID-19 more broadly.

Appendix A: Comparable Companies Analysis

This section sets out information in relation to companies that we consider broadly comparable to the Artisan Business, which will be Vita's remaining operating entity if the Proposed Transaction is implemented.

A.1 Trading Multiples of Comparable Companies

It is useful to analyse the current trading multiples of exchange listed comparable companies to assist with the determination of an appropriate capitalisation multiple. Generally speaking, comparable trading multiples need to be treated with caution as not all companies operating in comparable industries can be readily compared to Vita. With this as a caveat, the usual step in applying a multiple based valuation methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

We have conducted research into current trading multiples of comparable listed non-surgical aesthetic companies that may be broadly comparable to Vita.

Table A.1: Broadly Comparable Trading Companies

Company	Country	Enterprise Value ($m)	Revenue (historical) ($m)	EBITDA (historical) ($m)	EV/Revenue (historical) LTM Low	EV/Revenue (historical) LTM High	EV/EBITDA (historical) LTM Low	EV/EBITDA (historical) LTM High
SILK Laser Australia Limited	Australia	156.6	58.9	13.5	2.2x	5.7x	9.8x	50.5x
Convano Inc.	Japan	28.1	23.9	(0.4)	0.9x	1.4x	NM	429.3x
Fameglow Holdings Limited	Hong Kong	57.0	19.9	(1.3)	0.4x	4.7x	NM	NM
Arte Salon Holdings,Inc.	Japan	89.1	101.4	11.6	0.8x	0.9x	7.2x	10.1x
Kaya Limited	India	132.3	56.9	11.9	1.1x	2.6x	NM	20.6x
MPM Corpóreos S.A.	Brazil	1,171.2	203.1	77.8	5.7x	11.6x	14.8x	287.3x
Average		272.4	77.3	28.7	1.8x	4.5x	10.6x	159.6x
Median		110.7	57.9	12.7	1.0x	3.7x	9.8x	50.5x
High		1,171.2	203.1	77.8	5.7x	11.6x	14.8x	429.3x
Low		28.1	19.9	11.6	0.4x	0.9x	7.2x	10.1x

Source: BDOCF analysis, Capital IQ

1. EBITDA and revenue multiples have been calculated as at 22 September 2021; and
2. Enterprise value and EBTIDA values have been adjusted to remove the effect of AASB16.

The trading multiples set out above should be considered with caution as the multiples include a number of outliers. Although the companies listed in Table A.1 above have been selected as they are regarded to be broadly comparable to the Artisan Business, differences exist between the Artisan Business and each of the comparable companies. In particular, we note that some of the comparable companies operate franchisee business models and therefore, their revenue and EBITDA are less comparable.

Table A.2: Description of Broadly Comparable Trading Companies

Company	Company Description
SILK Laser Australia Limited	SILK Laser Australia Limited operates and franchises a network of specialist clinics that offer non-surgical aesthetic services in Australia. Its services include laser hair removal, non-invasive cosmetic injections, skin treatments, body contouring. The company also engages in the retail sale of skincare products; and offers cosmetic treatments. As of 30 June 2021, the company operated 33 corporate and owned clinics, 11 joint venture clinics, and 17 franchised clinics. The company was formerly known as SILK Laser & Skin Holdings Pty Ltd. SILK Laser Australia Limited was founded in 2009 and is based in Parkside, Australia.
Convano Inc.	Convano Inc. manages and franchises nail salons in Japan. The company was founded in 2007 and is headquartered in Tokyo, Japan.
Fameglow Holdings Limited	Fameglow Holdings Limited, an investment holding company, provides non-surgical medical aesthetic services in Hong Kong. The company offers energy-based procedures, including procedures that use various energy-based devices that emit various types of energy on skin surface; and minimally invasive procedures, such as injection treatments, which are non-surgical treatment procedures with minimal penetration to body tissue and no surgical incisions. It also provides traditional beauty services comprising non-medical and non-invasive beauty treatment services. In addition, the company sells skincare products through retail shops and sales counters; and invests in properties. It operates five medical aesthetic centers under the per Face brand located in Causeway Bay, Mong Kok, Tsim Sha Tsui, and Central. The company was founded in 2008 and is headquartered in Cheung Sha Wan, Hong Kong. Fameglow Holdings Limited is a subsidiary of Equal Joy Holdings Limited.
Arte Salon Holdings,Inc.	Arte Salon Holdings,Inc., through its subsidiaries, operates and franchises salons. It operates a chain of 323 stores in Japan and internationally. The company was formerly known as ARTEJAPAN CO., LTD. and changed its name to ARTE Salon Holdings, Inc. in July 2006. ARTE Salon Holdings, Inc. was founded in 1988 and is headquartered in Yokohama, Japan.

Company	Company Description
Kaya Limited	Kaya Limited owns and operates hair and skin care clinics. The company offers solutions in the categories of anti-ageing, pigmentation, acne/acne-scar reduction, laser hair reduction, hair fall, hair transplant, and dandruff and under-nourished hair treatment, as well as beauty enhancement services. It also provides a range of products covering hair and skin care for men and women. The company sells its products through Kaya clinics; third party outlets; and e-commerce portals, as well as its website shop.kaya.in. It operates a network of 94 clinics in India and 23 clinics in the Middle East. The company was founded in 2002 and is headquartered in Mumbai, India.
MPM Corpóreos S.A.	MPM Corpóreos S.A. operates as a laser hair removal company in Brazil. As of December 31, 2019, it had 514 stores that are owned by and franchises; 6 laser hair removal stores in Argentina through the partner brand Definit; and 6 Estudioface stores, which offers facial aesthetics services. The company was founded in 2004 and is based in Sao Paulo, Brazil.

Source: BDOCF analysis and Capital IQ

Corporate directory

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