

# Vita Life Sciences Ltd

ASX: VSC

Results Presentation  
Year ended 31 December 2013



# Our Business

- Pharmaceutical and healthcare Over-The-Counter business
- Wide range of supplements, vitamins, minerals, meal replacement, sports nutrition and herbal care products
- Branded under:
  - “Herbs of Gold” and “VitaScience” in Australia
  - “VitaHealth” throughout Asia including Malaysia
  - “VitaLife” Multi-Level-Marketing (MLM) in Malaysia



# Platforms for Sustained Growth

- Continued sales growth of 17.3% driven by Asian operations
- Sales revenue from Asia now accounts for 60% of revenue
- New Business Units: Thailand, China, Vietnam, Indonesia and MLM (Malaysia) increased revenue contribution to 15%
- EBIT \$5.51m up 92.7%
- Strong cash flow: 94.7% gross operating cash flow / EBITDA (2012: 55.3%)

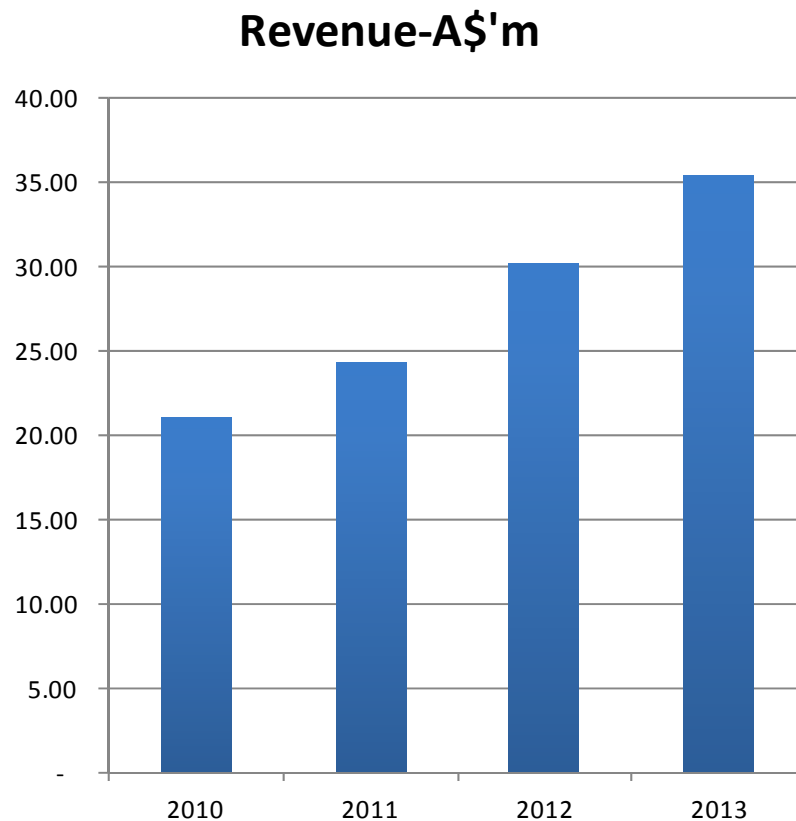


Operating businesses in Australia and Asia

# Group Key Financials

Year ended 31 December	2013 A \$'m	2012 A \$'m	% Change
<b>Revenue</b>	35.41	30.19	17.3%
<b>EBITDA</b>	5.62	2.93	91.8%
<b>EBIT</b>	5.51	2.86	92.7%
<b>Profit Before Tax</b>	5.52	2.84	94.4%
<b>Profit After Tax</b>	4.75	2.32	104.7%
<b>EPS (Diluted - cents/share)</b>	8.42	4.14	103.4%
<b>Dividend (cents/share)</b>	3.00	1.00	200%

# Group Sales Revenue

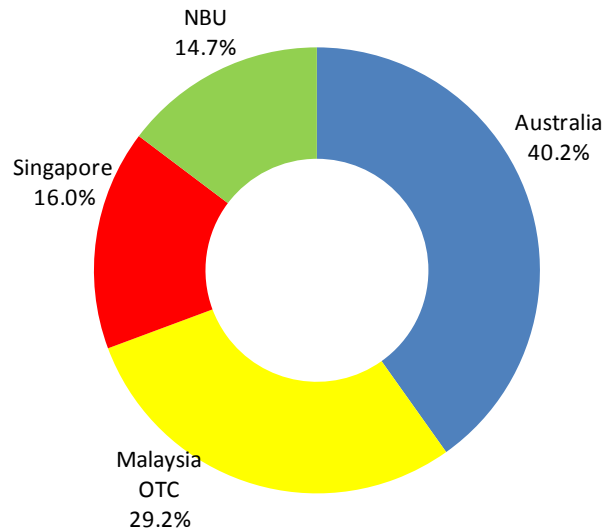


- Group sales revenue grew by 17.3% against that reported to December 2012.
- Individual Business Units sales growth:
  - Australia 4.7% (2012: 20.1%)
  - Malaysia OTC\* 25.1% (2012: 18.5%)
  - Singapore 27.5% (2012: 14.0%)
  - New Business Units 32.8% (2012: 27.0%)

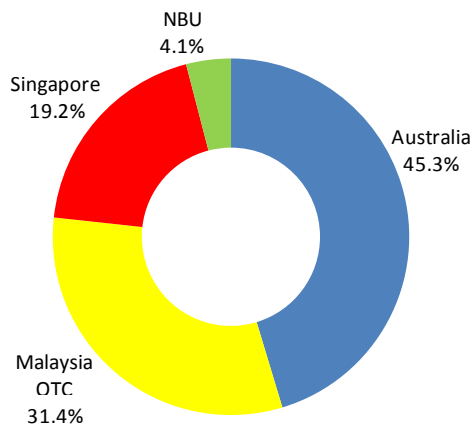
\* Excludes MLM

# Group Sales Revenue Sources

**FY 2013**



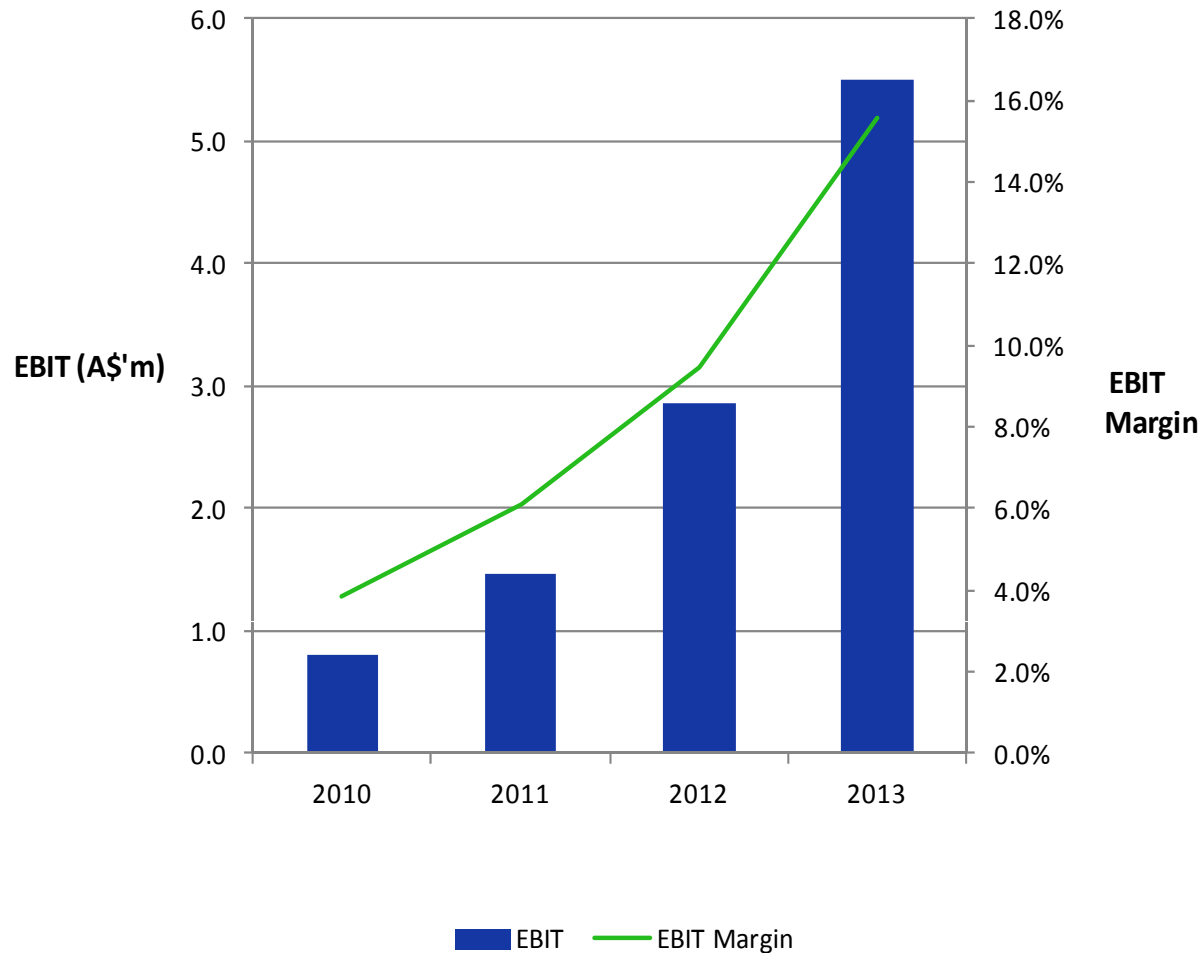
**FY 2010**



- Total Group sales increased from \$21.0m to \$35.4m over 3 years (CAGR: 19.0%)
- Asian sales (ex Australia) contributed almost 60% of Group revenue in 2013 (2010: 54.7%)
- New Business Units are Asian based and positioned to become a more significant contributor to the Group. Objective in 2010 was for a 15% contribution. This aim is now revised to 25%.

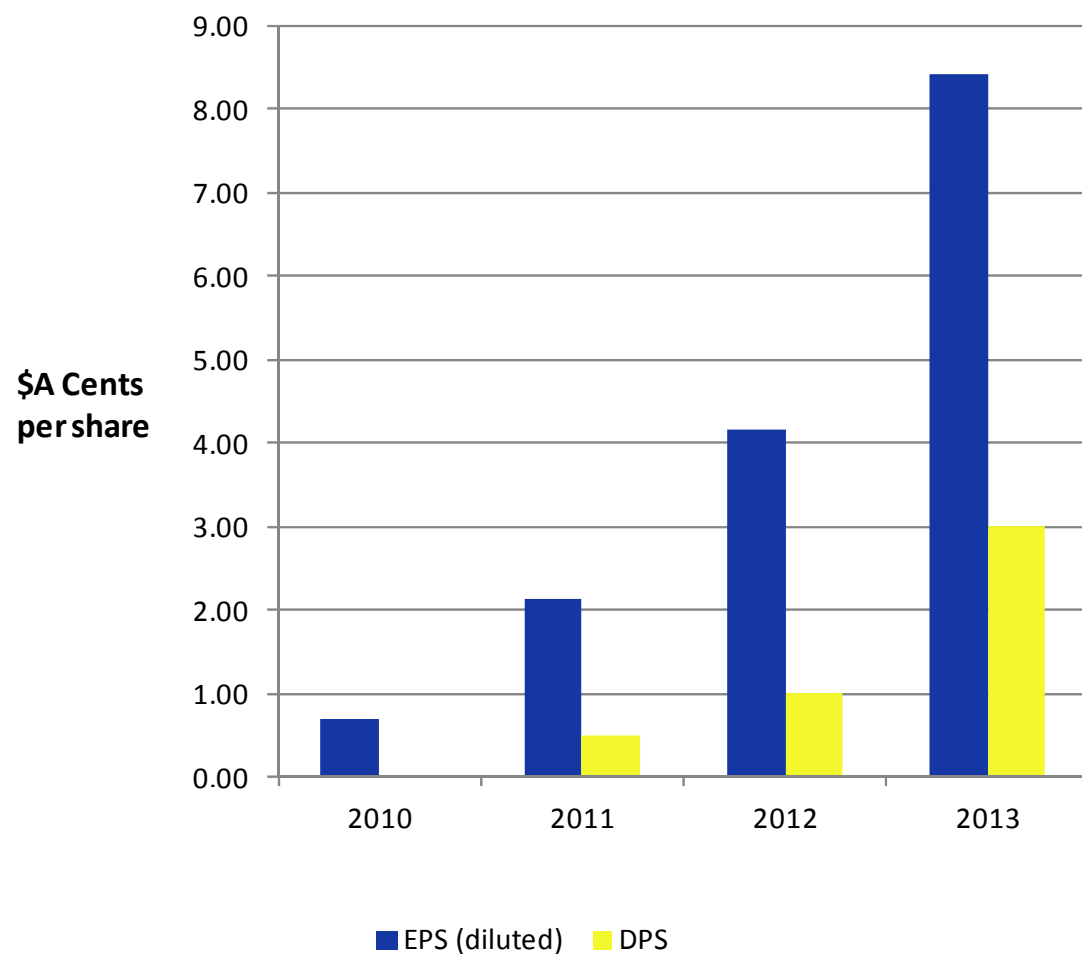
Further commentary on individual Business Units sales revenue located at Appendix 1.

# EBIT and EBIT Margin Growth



➤ 2013 EBIT Margin sustainable

# Earnings and Dividends per Share

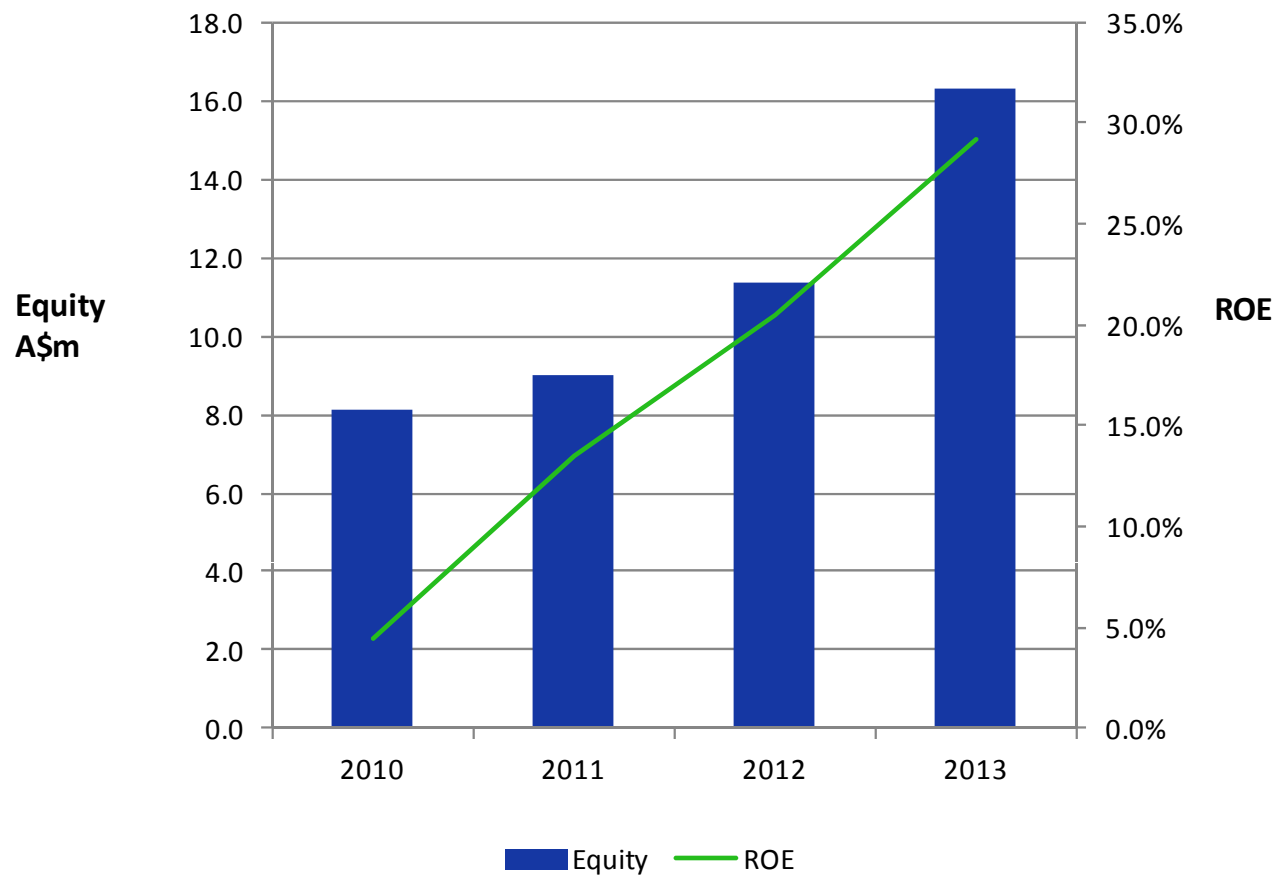


- Annual dividend increased to 3.0 cents per share
- Shares on issue (fully diluted):

<u>2013</u>	<u>2012</u>
56,250,650	56,474,638



# Return on Equity



# Other Group Key Financials

## Cashflow

Cash Flow (A\$ m)	2013	2012
Receipts from customers	38.86	32.74
Payments to suppliers and employees	(33.54)	(31.12)
<b>Gross operating cash flow</b>	<b>5.32</b>	<b>1.62</b>
<b>EBITDA</b>	<b>5.62</b>	<b>2.93</b>
<b>Ratio of gross operating cash flow to EBITDA</b>	<b>94.7%</b>	<b>55.3%</b>
Net interest received (paid)	0.07	0.04
Income tax paid	(0.56)	(0.27)
<b>Operating Cash flows</b>	<b>4.83</b>	<b>1.39</b>
<b>Cash flows from investing activities</b>	<b>(0.28)</b>	<b>0.09</b>
Net movements in Equity	(0.70)	(0.16)
<b>Cash flows from financing activities</b>	<b>(0.70)</b>	<b>(0.16)</b>
Net foreign exchange differences	0.10	0.07
<b>Net increase in cash reserves</b>	<b>3.95</b>	<b>1.39</b>
Cash at beginning of period	5.02	3.63
<b>Cash at end of period</b>	<b>8.97</b>	<b>5.02</b>

## Foreign Exchange

- 2013 sales revenue at 2012 exchange rates would have been \$34.08m ie 7.4% gain from the AUD weakening
- 2013 EBIT at 2012 exchange rates would have been \$5.55m ie 1.8% gain from the AUD weakening

# Balance Sheet

Balance Sheet (A\$ m)	Dec-13	Dec-12
Current assets	20.49	15.58
Non-current assets	1.52	1.23
<b>Total assets</b>	<b>22.01</b>	<b>16.81</b>
Current liabilities	(5.68)	(5.42)
Non-current liabilities	(0.06)	(0.05)
<b>Total liabilities</b>	<b>(5.74)</b>	<b>(5.47)</b>
<b>Net assets</b>	<b>16.27</b>	<b>11.34</b>

- Group remains debt-free, with cash balance of \$9.0m (2012: \$5.0m)
- Cash and cash equivalents make up 55.3% of net assets (2012: 44.2%)
- Negligible intangible assets of \$0.1m

# Dividend

- Final dividend<sup>#</sup> declared of 2.0 cents per share (unfranked) for year ending 31 December 2013.
- Total interim and final dividend for 2013 Financial Year is 3.0 cents per share\*, representing approximately 35.6% of net profit, consistent with the Group's stated policy of approximately 33%.
- Due to prior year tax losses carried forward of approximately \$7.5m, no tax is being paid in Australia and franking credits were fully utilised with the payment of the September 2013 interim dividend.

\* Dividend contains no Foreign Conduit Income.

# Dividend reinvestment plan is currently suspended and remains suspended for the this dividend payment.

# Strategic Initiatives for 2014

- The Group's premises in Malaysia is spread across 3 locations and are seeking to acquire premises to allow consolidation into one location.
- New premises will also provide for a packing facility, laboratory and the Vita Health Science Knowledge Centre for staff and customer training.
- Acquisition of these premises is expected to cost in the order of A\$7million, to be funded by a mix of existing cash and bank borrowings.
- Aim to staff the Indonesian New Business Unit later in 2014 and commence selling products.

# Brand Building



The Vita Health Science Knowledge Centre was established in Malaysia in 2013 as a centre of excellence for staff and customer training.



The Group now has 400 staff located throughout Asia/Pacific. Spirits were high when the Malaysian and Singaporean sales teams attended the 2014 "Educate 2 Succeed" kick-off meeting in January 2014.



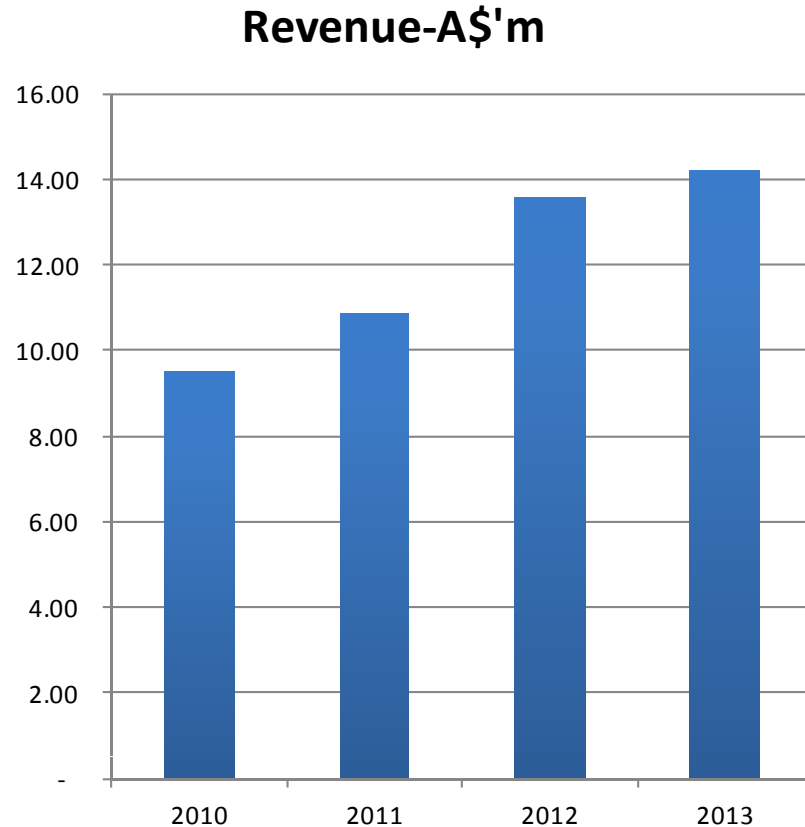
VitaHealth conducted a charity event for the National Cancer Society of Malaysia – "Health is more than Wealth". Mr Eddie Tie presented a cheque to the head of the Society's Cancer and Health Screening Centre, Dr Dalilah Kamaruddin.

# Outlook

The competitive landscape prevailing in Australia, the political situation in Thailand and regulatory changes in China give cause for Directors to approach 2014 cautiously. Accordingly, Directors forecast:

- full year sales growth of approximately 13 - 15% against that reported to Dec 2013; and
- an EBIT margin of approximately 14 – 16% for the 2014 Financial Year.

# Appendix 1: Australian Sales Revenue

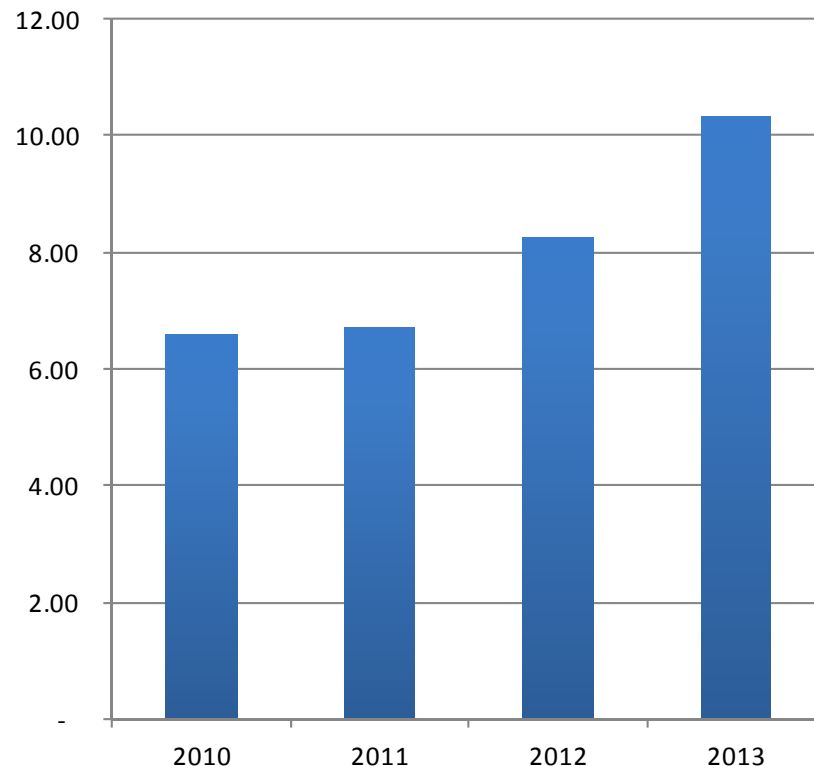


- 2013 increase 4.7% (2012: 20.1%)
- Lower sales growth due to tightening of customers credit and other trading terms
- Strong customer relationships but operating in a very competitive, mature market



# Appendix 1 (cont.): Malaysian OTC Sales Revenue

Revenue-A\$'m

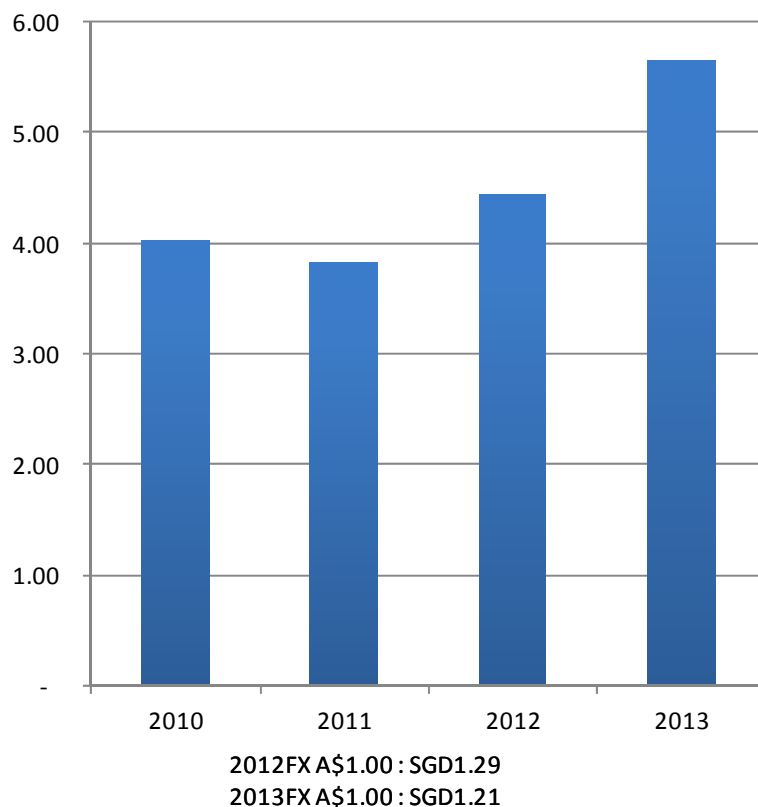


2012FX A\$1.00 : RM3.19  
2013FX A\$1.00 : RM3.03

- 2013 increase: 25.1% (2012: 18.5%)
- 2013 increase of 19.1% when measured in Malaysian Ringgit
- Strong customer relationships, loyalty and brand awareness driving sales
- Competitive expanding market
- Vita Health premium product positioning: sales growth trends to continue

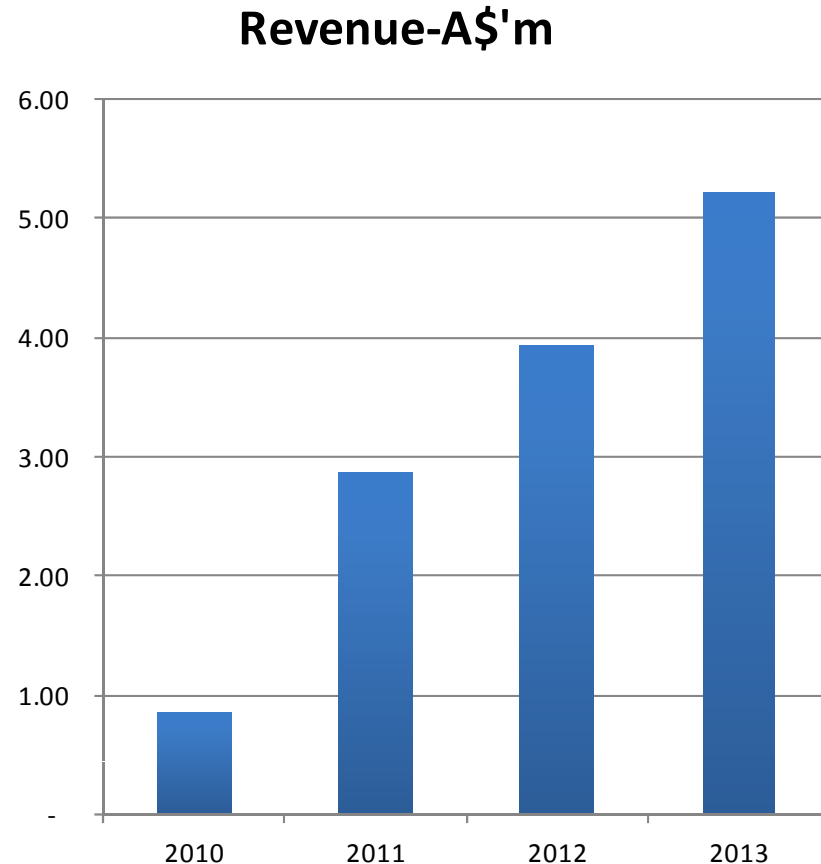
# Appendix 1 (cont.): Singaporean Sales Revenue

Revenue-A\$'m



- 2013 increase: 27.5% (2012: 14.0%)
- 2013 sales increase of 19.2% when measured in Singapore Dollars
- Increased sales due to reorganisation of marketing/sales team in 2012
- Competitive moderately expanding market
- Vita Health premium product positioning: sales growth trends to continue

# Appendix 1 (cont.): New Business Units Sales Revenue



- 2013 increase: 32.8% (2012: 27.0%)
- China's sales (RMB) increased by 37.3% (2012: 39.7%)
- Malaysia MLM sales (MYR) increased by 3.8% (2012: 16.1% decrease)
- Thailand sales (THB) increased by 7.3% (2012: 65.6%), impacted by political situation
- Vietnam sales (VND) increased by 151.1%, after making initial sales in 2012

# Thank You

## Contact Details

Telephone: +61 3 9828 0500

Website: [www.vitalifesciences.com.au](http://www.vitalifesciences.com.au)

Email: [enquiries@vitalifesciences.com.au](mailto:enquiries@vitalifesciences.com.au)

Head Office: Suite 650, 1 Queens Road, Melbourne, VIC 3004

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