

# Vita Life Sciences Ltd

## Results Presentation

### 2016 Financial Year



# Vita Life Sciences overview



- Asia Pacific pharmaceutical and healthcare over-the-counter business involved in the formulating, packaging, sales and distribution of vitamins and supplements
- 750 - 800 registered sku of vitamins and supplements sold in 7 countries in the Asia Pacific region
- 3 major brands
- VitaHealth: products sold in pharmacies, hospitals, clinics and health food stores throughout Southeast Asia
- Herbs of Gold: products sold in health food stores in Australia, and pharmacies in Singapore and Malaysia
- VitaSciences: products sold through independent pharmacies in Australia
- Approx. 425 employees across 7 countries
- ASX listed since 2007 (ASX:VSC)

# 2016 Financial Highlights

- 1** Group operating performance: Australia strong, Singapore and Malaysia markets softened.
- 2** 2016 EBIT \$5.7m, down 6.5% on FY15.
- 3** Continued strong gross operating cashflow of \$5.4m equated to EBITDA conversion of 90% in 2016 (FY15: 93%).
- 4** Continued prudent financial management with the Company maintaining a net cash balance sheet, while:
  - Returning \$2.3m to shareholders through dividends and share buyback; and
  - Reducing borrowings associated with the Malaysian central facility to \$2.5m.
- 5** Final dividend of 2.25 cents per share brings 2016 total dividend to 3.75 cents per share.

# 2016 Operational Highlights

1

**Senior management: Mr Andrew O’Keefe appointed as the Managing Director from 1 January 2017 following the retirement of Mr Tie.**

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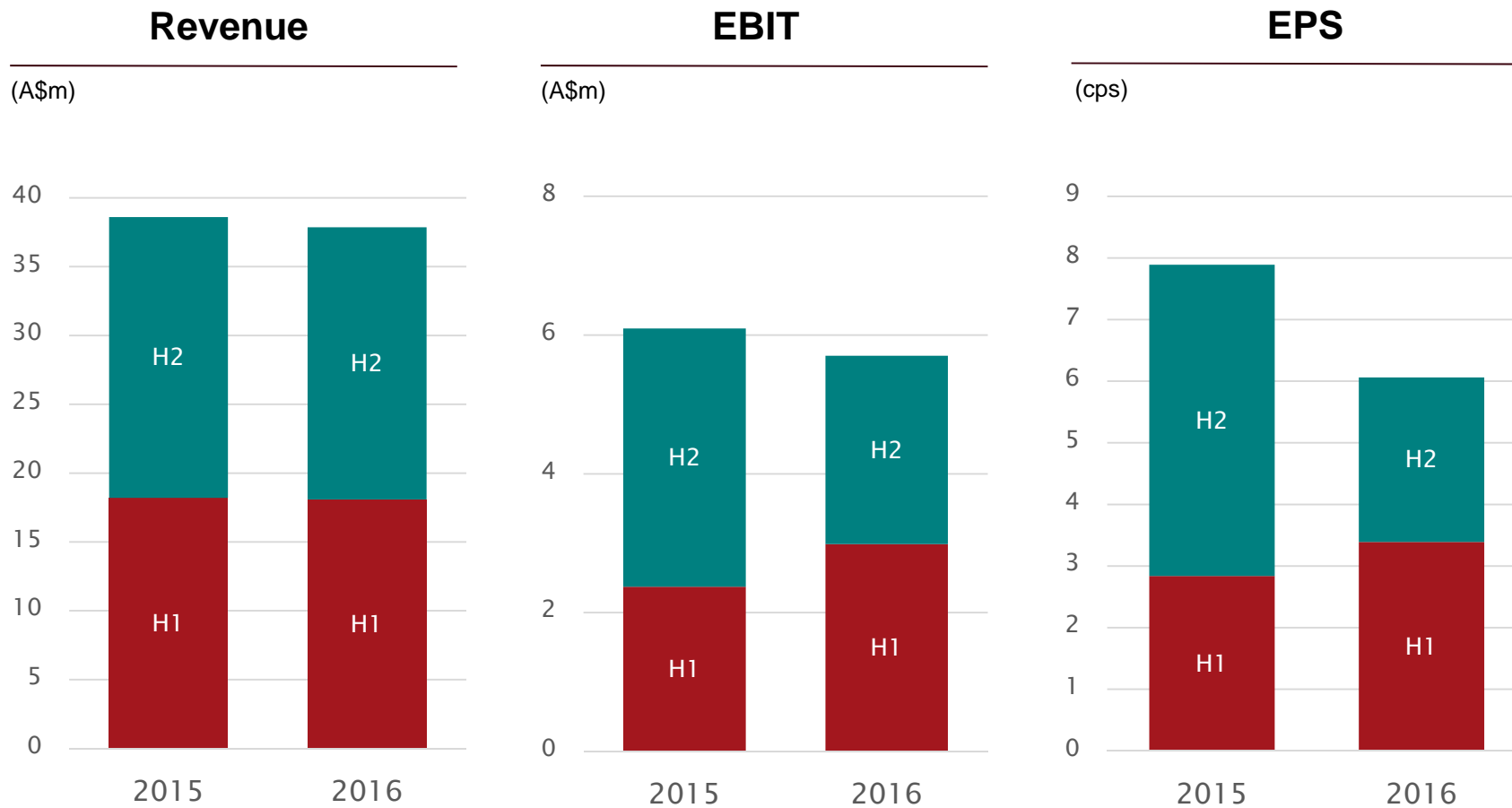
**In December 2016 entered into an exclusive distribution arrangement with Jointown Pharmaceutical Co, one of China’s large pharmaceutical distributors, for the distribution and sale of Herbs of Gold products in China.**

3

**Malaysia Central facility:**

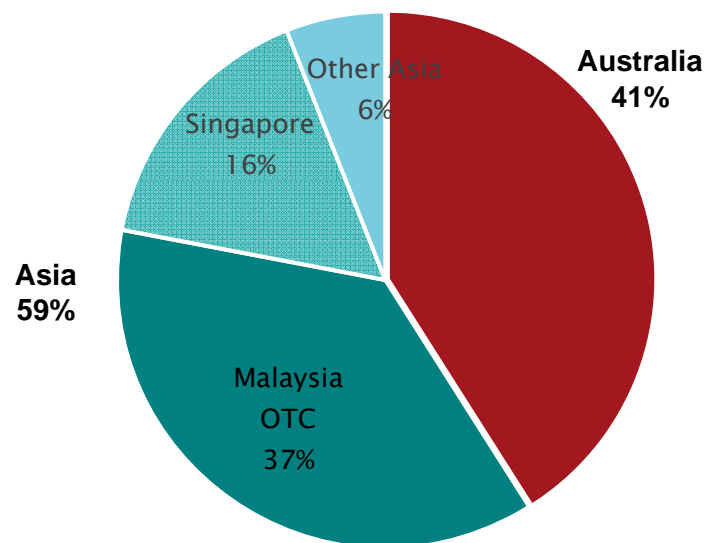
- **Completed and occupied from February 2016;**
- **Amount invested (land and buildings): \$8.5m, funded by \$5.5m cash and \$3m borrowings.**
- **The packing facility is planned to be completed by end of 2017/early 2018.**

# Full Year 2016 results



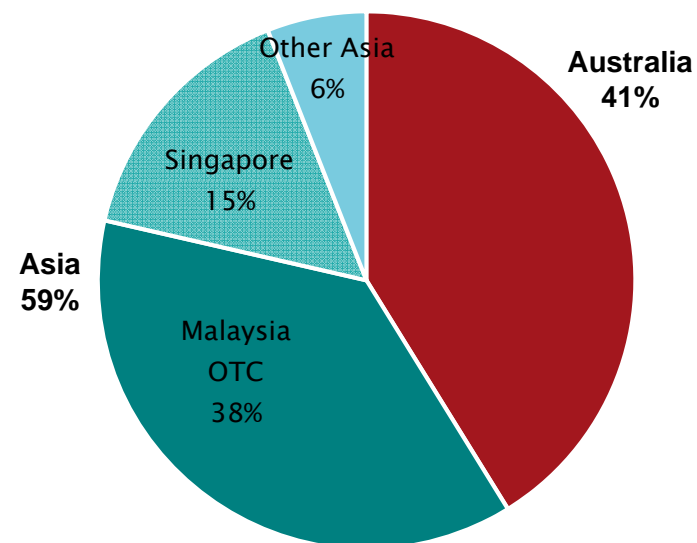
# VSC segment results

## 2015 revenue by geography



Total revenue: \$38.6m

## 2016 revenue by geography

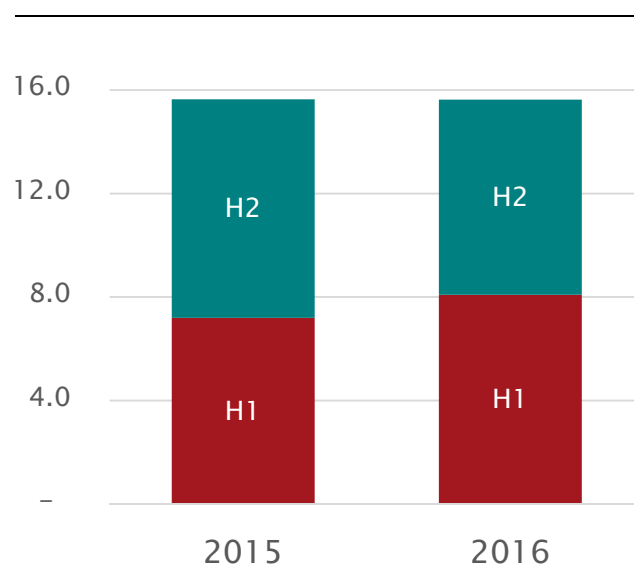


Total revenue: \$37.9m

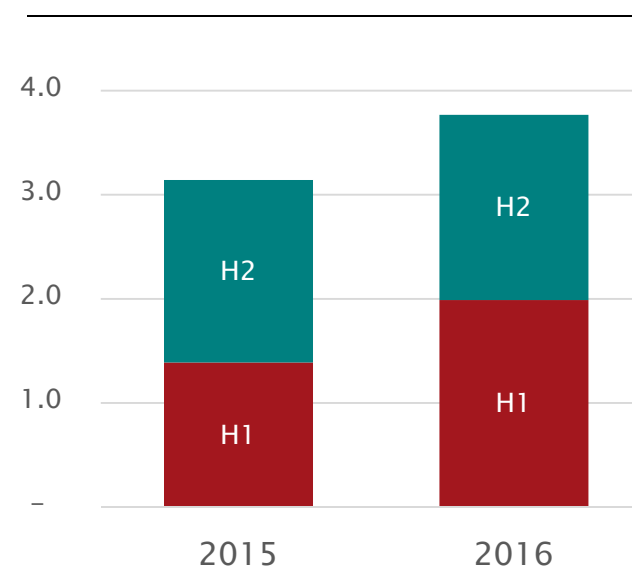
# Segment results Australia

- EBIT of \$3.8m was up 19.9% against FY15.
- Continued focus on high quality products and leveraging of the fixed cost base has led to increased EBIT.
- Revenue base was sustained in a competitive Australian market due to rollout of the Vita Science brand in the pharmacy channel and sales via international distribution agreement made a positive contribution.

Revenue (A\$m)

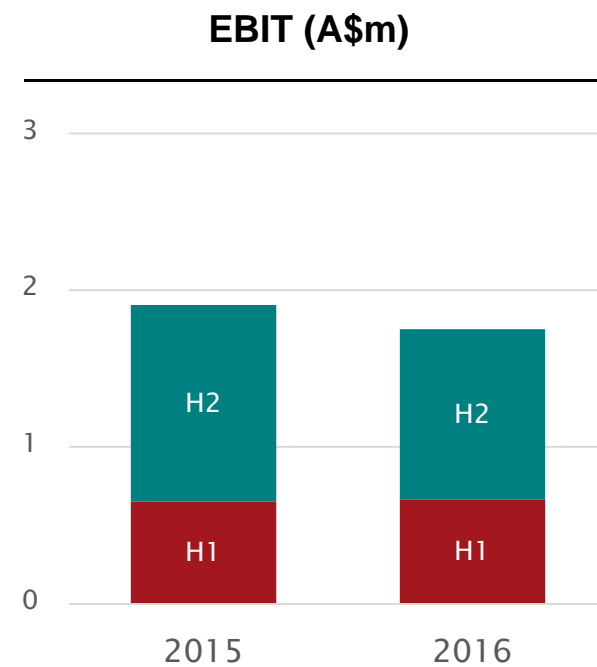
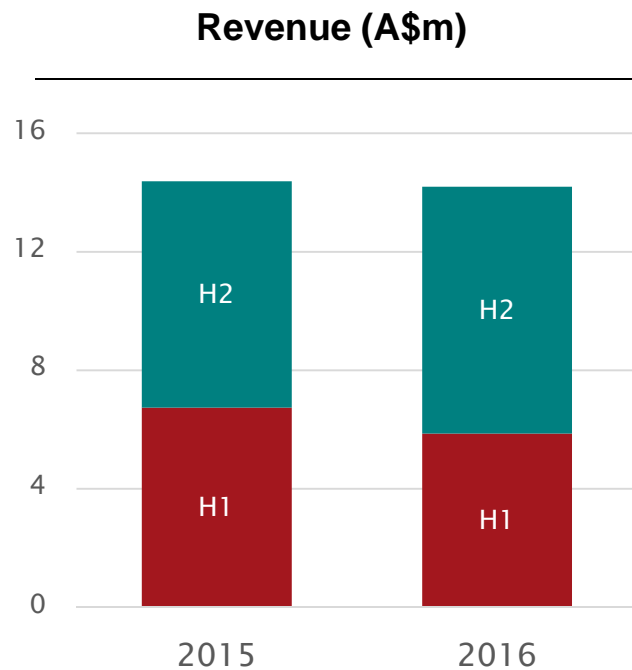


EBIT (A\$m)



# Segment results Malaysia

- Malaysian revenue and EBIT has declined by 1.3% and 8.1% respectively on 2015.
- Revenue base was sustained in continued difficult economic and trading conditions.
- EBIT margins were impacted by aggressive competitive pressure requiring an increase in trade and promotional investment.

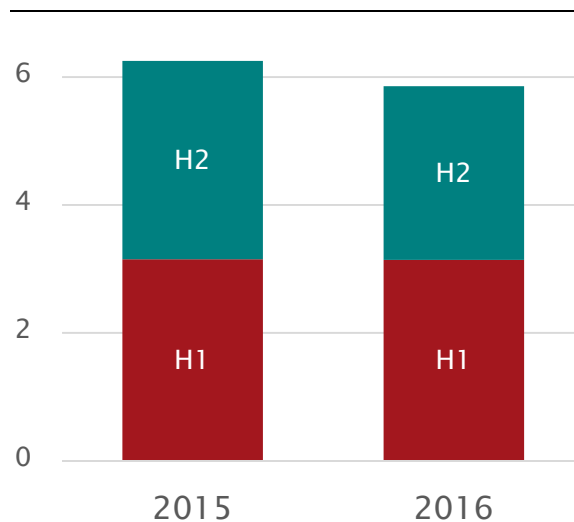




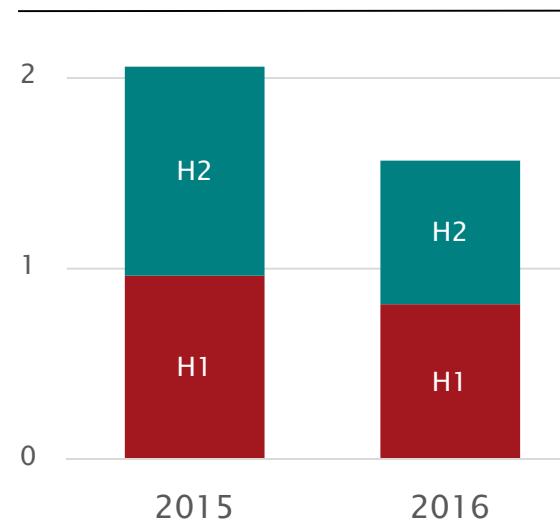
# Segment results Singapore

- Revenue and EBIT has declined by 6.3% and 23.9% respectively on 2015.
- Revenue and EBIT margins were impacted by challenging trading conditions and aggressive competitive pressures.
- An increase in advertising and promotional investment was leveraged to maintain retail support.

Revenue (A\$m)



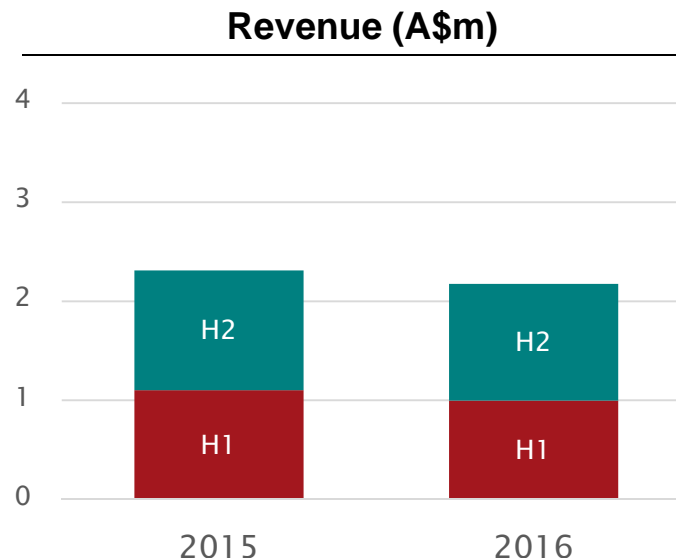
EBIT (A\$m)



# Segment results

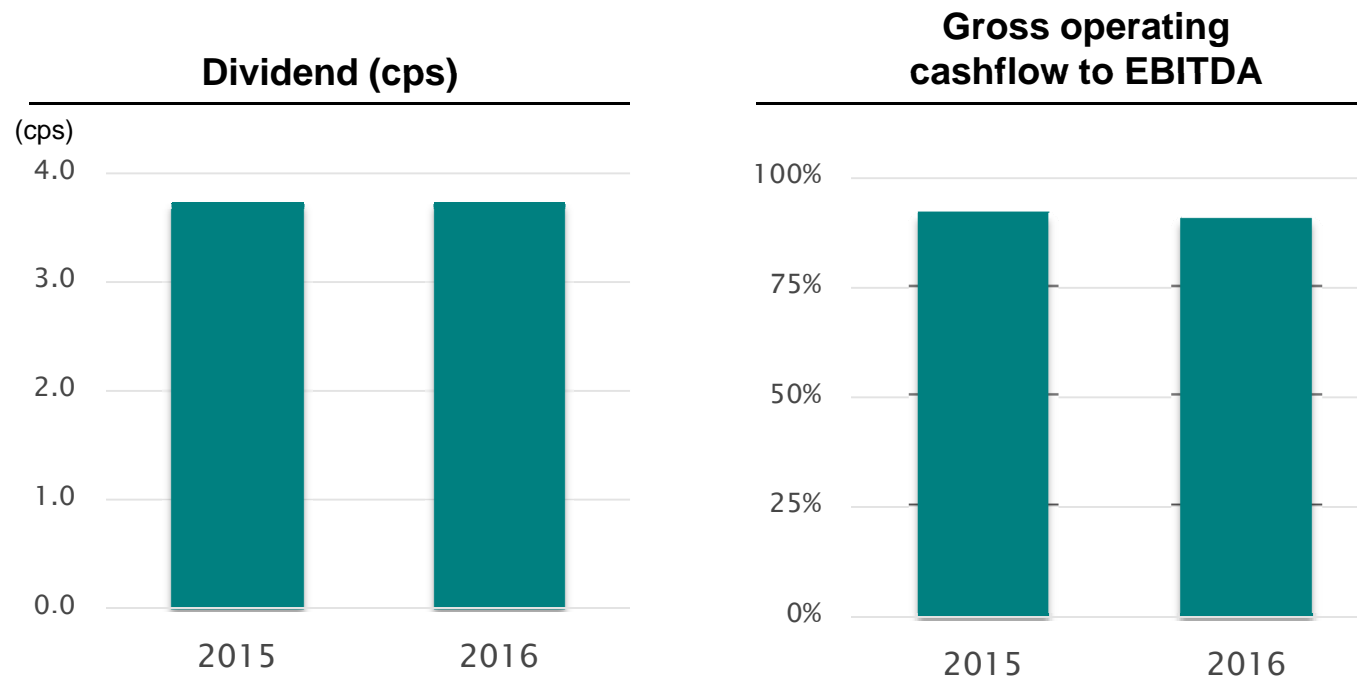
## Other Asia<sup>(1)</sup>

- Revenue contracted by 5.8% to \$2.2m
- The contraction in sales resulted from the inability to obtain registration of products in China under its new regulatory regime.
- The bright light in our expansion markets was Vietnam, which continued on its previously established growth path.
- EBIT losses widened to \$1.4m in 2016 (2015: \$1.0m).



# Final dividend and cashflow

- Directors propose final dividend to 2.25 cents per share for FY16. Dividends paid to shareholders for FY16 total 3.75 cents per share.
- Final dividend is unfranked and fully sourced from Foreign Conduit Income.
- Strong operating cashflow conversion combined with prudent financial management has facilitated VSC's consistent growth in annual dividends.



# 2017 Strategic initiatives

- 1 Recruitment of a CEO responsible for all Asian entities based in Malaysia.
- 2 New packing facility to be constructed in Malaysian head office.
- 3 Execute revised strategies for the China market through the Jointown Pharmaceutical Co distribution agreement.
- 4 Continue to develop our Pharmacy brand proposition within the Australian market.
- 5 Focused effort and investment within our emerging markets.
- 6 Launch of the VitaHealth brand into the Myanmar market in 2017.

# Outlook for 2017

- **Following flat sales in 2016, Directors aiming for revenue to return to the steady growth of earlier years.**
- **Given the Company's diverse operating platform the Directors intend to provide more detailed guidance mid way through the year.**

# Appendix

# Appendix 1 – Profit and Loss

Year ended 31 December	2016 \$m	2015 \$m	Change %
Revenue	37.8	38.6	-2.1%
EBITDA	6.0	6.2	-3.3%
EBIT	5.7	6.1	-6.5%
Profit before tax	5.6	6.0	-6.7%
Income tax expense (Note 1)	2.3	1.7	35%
Profit after tax	3.3	4.4	-25%
EPS (Diluted – cents)	5.9	7.7	-23.4%
Dividend (cents / share)	3.75	3.75	0%



**Note 1:** Included in the current year income tax expense of \$2.3m is a prior year under provision of \$0.4m

## Appendix 2 – Balance Sheet

Balance Sheet as at 31 December	2016 \$m	2015 \$m
Current assets	21.7	23.5
Non-current assets	10.6	8.9
<b>Total Assets</b>	<b>32.3</b>	<b>32.4</b>
Current liabilities	(6.8)	(6.9)
Non-current liabilities	(2.3)	(2.6)
<b>Total Liabilities</b>	<b>(9.1)</b>	<b>(9.5)</b>
<b>Net Assets</b>	<b>23.2</b>	<b>22.9</b>



# Appendix 3 – Cash Flow

Cash Flow	2016 \$m	2015 \$m
Receipts from customers	41.6	42.3
Payments to suppliers and employees	(36.2)	(36.6)
<b>Gross operating cash flow</b>	<b>5.4</b>	<b>5.7</b>
EBITDA	6.0	6.2
<b>Gross operating cash flow / EBITDA</b>	<b>90%</b>	<b>93%</b>
Net interest received	0.0	0.0
Income tax paid	(0.7)	(0.8)
<b>Operating cash flows</b>	<b>4.7</b>	<b>4.9</b>
Net investment in PPE	(2.2)	(0.9)
(Repayment) of debt/ Drawdown	(0.4)	(0.5)
Return to shareholders	(2.3)	(2.5)
Net foreign exchange differences	(0.3)	(0.5)
<b>Net (decrease)/increase in cash reserves</b>	<b>(0.3)</b>	<b>0.5</b>
Cash at beginning of period	9.7	9.2
<b>Cash at end of period</b>	<b>9.4</b>	<b>9.7</b>

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