

Vita Life Sciences Limited – 2018 Annual General Meeting

Address by the Managing Director - 25 May 2018

Thank You Henry,

Slide 3: Managing Director Review

Thank you all for joining us today.

It's a pleasure to provide an update on the company's FY2017 performance, however more importantly, I will be providing you with insights into the growth platform we will be setting for the business moving forward.

I would firstly like to acknowledge and thank the Board for the trust they have placed in me to take the Group into the future.

Slide 4: Markets

Vita Life Sciences (VLS) has market coverage across 7 countries. The core markets in which VLS operates include Australia, Malaysia and Singapore. The remaining countries being Thailand, China, Vietnam and Indonesia remain strategic emerging markets.

I will provide a segment performance update for those markets. It should be noted that the company does recognise the importance of continued investment into these developing markets. Whilst their sales contribution remains small, these markets have been identified as pillars for longer term growth.

Slide 5: Business Overview

I'm sure most of you are familiar with our current business model.

For those who aren't, Vita Life Sciences is an Australian and Asia Pacific based healthcare over the counter business involved in the formulating, packaging, sales and distribution of vitamins dietary and supplements (VDS).

- We have 3 major consumer brands
- About 750-800 registered products sold in 7 countries
- Over 430 employees
- Listed in 2007 on the ASX (ASX:VLS)

Slide 6 Group Snapshot

Turning to the results for FY2017. Vita Life Sciences recorded revenue of \$37.7m and an adjusted EBIT of \$5.6m before a non-recurring share option expense of \$0.9m. Essentially, both sales and operational EBIT performance were flat from FY2016.

Slide 7: Group Snapshot Continued

The company's underlying financial fundamentals remain strong and provide a great platform for growth into the future despite market challenges. A strong foundation and financial discipline has been put in place to ensure long term sustainability.

In terms of financial highlights:

The group recorded a cash conversion rate of 100% from its operations.

The group also returned \$2.3m to shareholders through dividends and share buyback scheme in FY 2017.

Based on sustained margins and EBITDA performance the Company recently paid a final dividend of 2.25 cents per share (fully franked) for the 2017 financial year. This brings 2017 total dividend to 3.75 cents per share; unchanged from FY2016.

2017 was a period of transformational change in terms of the management structure of the organisation. As my first year as Managing Director, it was imperative to drive and set a growth agenda for the organisation for the next 3 years, without diluting our core values or brand proposition.

Slide 8: FY 2017 Results

In terms of geographical contributions by each market, our FY 2017 revenue geographical mix has remained essentially unchanged from FY 2016; with Australia continuing to be the single largest market.

Moving forward increase investment within the Australian market is required to capitalise on its market size and growth prospects.

The Asia Pacific markets remain a significant strategic pillar for the company. Our core markets are Malaysia and Singapore and the remaining emerging markets broadens out our reach within the region.

Slide 9: Australian Snapshot

Australia's revenue base of \$15.6m from the Herbs of Gold brand was sustained in a competitive environment. Sales of Herbs of Gold product through e-commerce platforms and export customers into mainland China remained low.

EBIT was down to \$3.4m due to higher overheads and additional investments with some shift in regional costs to Australia.

The focus leading into 2019 is to expand the Herbs of Gold brand beyond its established channels within Australia including export opportunities into mainland China. The buying behaviour of vitamins and supplement consumers are changing, as does the need to reposition the Herbs of Gold brand into broader channels of distribution.

Slide 10: Malaysia snapshot

Malaysia

Revenue and EBIT declined by 2.4% and 2.0% respectively when compared to FY2016. However, when measured in local currency, Malaysian Ringgit, revenue increased by 6.7%.

The revenue base was sustained in the challenging trading conditions and the better results from our HOG brand in Malaysia, which is carried exclusively by the Caring pharmacy chain.

Overall, the Malaysian result is satisfactory given the challenging economic conditions in FY2017.

Slide 11: Singapore snapshot

Singapore

Revenue and EBIT declined by 1.1% and 4.6% respectively in FY17.

Revenue and EBIT margins were impacted by aggressive competitive pressures. Advertising and promotional expenses were increased to maintain retail support and maintain market share.

New market entrants continue to pose a challenge by discounting heavily and we'll need to explore new product offerings and channels to counter some of these threats.

Slide 12: Other Asia

Revenue in the Group's expansion markets, namely Thailand, Indonesia and Vietnam increased to \$2.5m in FY2017, or by 15.2% when compared to FY2016. Contributions from these markets were higher in Vietnam and Thailand with some initial sales in Indonesia.

Vietnam was a standout performer and the Group is encouraged with its sustainable growth prospects which appears to be viable in the medium term.

The Group will continue to invest into these markets and takes a longer-term view about their future contributions.

Slide 13: Strategic Priorities and Outlook

The Vita Life Science group has grown from strength to strength since its humble beginnings as a retail pharmacy in 1947.

Since then the business has transformed into a major healthcare company distributing products in 7 countries across Australia and Asia Pacific. The company finds itself very well positioned to leverage the growing demand for vitamins and dietary supplements.

The Board has set a growth agenda for the organisation over the next 2 years. The agenda includes, a higher level of investment in brand equity, expanded market reach, and greater product diversification.

To support these objectives, the Group will be required to re-engineer the business to focus on 5 key priorities:

1. Product Leadership
2. Channel expansion
3. Talent
4. Branding
5. Operational effectiveness

This strategy may impact the financial performance in the short term, however its intended to produce stronger sustainable growth over the medium to longer term.

The Board provides the following guidance for the first half:

- Sales growth of 8-10% on previous year to around \$19m
- EBIT growth of around 15% on previous half year
- Sales trend expected to continue for the full year
- However due to increase investment in brand equity including Advertising and Promotion, EBIT is anticipated to be slightly lower for the full year compared to FY 2017
- Updated guidance will be provided in the fourth quarter of this financial year

Managing Director closing comments

In closing, I would like to thank all the hard-working staff of Vita Life Sciences over the months. The Group has entered a period of change to ensure we are both structured and positioned for growth into the future. Once again, I would like to acknowledge and thank all shareholders and trust that your support continues well into the future.

Thank you for your attention and I will hand back to the chairman of the AGM.

Andrew O’Keefe
Managing Director
25 May 2018