MARKET ANNOUNCEMENT 27 AUGUST 2024

Vital

Vital reports solid FY2024 financial results, despite challenging business conditions.

OVERVIEW

Vital Limited (Vital or Company) is pleased to report ongoing progress for the FY2024 year as it nears the end of the first phase of its turnaround strategy.

Vital CEO, Jason Bull, said: "Our turnaround strategy, commenced two years ago, was designed to arrest the previous decline in key customers, stabilise the business, significantly improve operational efficiency and reduce costs, build better sales channels, improve the customer experience, and win or re-sign more key customers.

"Progress against this strategy has continued throughout FY2024, despite a particularly challenging economic operating environment. Momentum is now building, and key initiatives and capital investments are being executed simultaneously across the Wired and Wireless businesses to position Vital and its quality fibre and radio assets more favourably to help back our longstanding customers operations throughout New Zealand.

"This focus has resulted in another solid financial year, with results largely in line with expectations, despite very challenging business conditions. With a solid foundation now laid and two full years of disciplined delivery, Vital can increasingly focus on driving revenue growth, greater operating leverage, and the acquisition of new customers."

RESULTS IN DETAIL

Bull said "Revenue was down 4.5% from $28.1 million in FY2023 to $26.9 million for FY2024, which was within our revised guidance, and largely reflected Vital electing not to renew a low margin contract that accounted for about 70% of the year-on-year revenue decline. The remainder of the change in revenue was largely from the fall in fibre circuit connections as businesses continue to actively manage their cost bases.

"Adjusted net profit after tax (NPAT) was $0.3 million, down from the FY2023 result of $0.5 million, resulting from the flow through impact of lower revenue. That said, adjusted free cash flow of $4.1 million was at the top end of Vital's guidance metrics, assisted by careful management of capital expenditure.

"While pleased with overall progress, Vital's financial results are still not where we aspire to be longer term. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were $6.4 million, flat on the prior year with pressure on fibre circuit numbers offsetting gains from ongoing improvements in channel strategy relationships and new connections."

Summary Financial Performance $000's	FY2024	FY2023	Percentage Change
Total Revenue	26,861	28,131	(4.5%)
Staff costs	7,998	8,057	(0.7%)
Lease/rent costs [1]	6,133	6,381	(3.9%)
Other Selling, General & Admin costs	6,301	7,291	(13.6%)
EBITDA (Adjusted) [2]	**6,429**	**6,403**	**0.4%**
EBITDA (Adjusted) margin (%)	23.9%	22.8%	
Depreciation [3]	4,626	4,422	4.6%
EBIT (reported)	**1,803**	**1,981**	**(8.9%)**
Net Interest [4]	1,451	1,339	8.4%
Income Tax	99	180	(45.0%)
Net Profit after Tax (Adjusted)	**253**	**462**	**(45.2%)**
Lease accounting gain/(loss) (after tax) [5]	226	645	(65.0%)
Net Profit after Tax (Reported)	**27**	**(183)**	**n.a**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease costs that are otherwise treated as depreciation and interest
3. Excludes IFRS 16 adjustments resulting from changes to lease profiles
4. Excludes interest component of capitalised lease costs (this is in Lease/Rent costs)
5. Adjustments (non-cash) under IFRS 16 for changes to lease terms (net of tax at 28%)

OUTLOOK

Bull said, "We are targeting incremental improvement to underlying financial performance in FY2025, with tough economic conditions likely to remain prevalent for much of the coming financial year.

Vital's channel partnering strategy and wholesale arrangements are producing sales and revenue results and we continue to build relationships with larger sales prospects, which we are working to see reflected in additional enterprise new business.

"A return to revenue growth is critical to financial success and this remains the key focus of the Board and Management team. Vital expects revenue to be either flat or marginally up for FY2025 although economic conditions provide risk to this expectation. The building blocks to return to revenue growth are increasingly in place with improvements over FY2024 in channel partnerships and organisational capability.

"Turnaround metrics guidance for FY2025 is expected to be provided either before or at the VTL Annual Shareholder Meeting to allow the full-year guidance to better reflect current sales pipeline activity.

"We thank Vital's shareholders and customers for their ongoing support and acknowledge the entire Vital team for their hard work and strategic execution over the year. In reflecting on where Vital has come from in recent years, and current results, the current strategy remains on track, and the Company is increasingly well-positioned for ongoing improvement."

ENDS

Note: see separate NZX statements regarding the Vital response to the proposed partial takeover by Empire Technology Limited (Empire).

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