



Vital

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## **FY2023 Annual Results show a solid year of progress for Vital Limited**

Vital Limited (Vital) has today reported a solid result for its FY2023 year, meeting or exceeding all of the targets it had set at the start of the financial year.

Vital Chief Executive Jason Bull said, “It was a year in which we continued to make progress across all aspects of our strategy to reposition Vital for future growth. Our turnaround strategy is centred around key fundamentals; maximising the utilisation of our high-quality Wired and Wireless network assets, tightly managing our costs and the efficiency of our business, investing in key Customer relationships, and improving our sales capabilities to drive new revenue and growth opportunities.

“Financially, while we are not yet where we aspire to be longer-term, especially in revenue, we delivered outcomes at the higher end of the turnaround metric FY2023 guidance. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were \$6.4 million, at the high end of the guidance range of \$5.8-6.5 million.”

Revenue was down from \$31.5 million in FY2022 to \$28.1 million for FY2023, partly reflecting strong competition and a loss in non-recurring revenue, and strategic decisions to optimise Vital’s customer base, but still within the guidance range of \$27.5-28.5 million. Adjusted net profit after tax (NPAT) was \$0.5million, well above the FY2022 result and above the guidance of \$0.0-0.2 million. The FY2023 net profit includes a non-cash lease accounting charge under IFRS16 of \$0.64 million, which reduces the adjusted profit after tax to the reported loss of \$0.18 million. Vital measures its performance reflecting that in practice lease costs are cash costs.

Bull added, “Following the significant disruptions of the previous year, FY2023 has seen a major repositioning of Vital. This included driving cost and network efficiencies, as well as building up our sales channels and infrastructure capabilities. This saw material cost reductions with operational costs declining by 15.9% with labour costs declining 18.4% despite the macroeconomic and inflationary pressures and the war for talent.

“A relentless focus on customers and culture is paying off. Customer churn has reduced and a recent customer net promoter score (NPS) survey has shown an improvement from minus 7 in March 2022 to positive 22 in July 2023, while employee net promoter score (eNPS) has lifted from positive 4 a year ago to positive 25 at the end of the financial year. This focus on customers and the internal culture to support them has been evidenced in the market, with some key sales wins and customer renewals locked in, including St Johns who have extended their contract through to 2027.



“We remain committed to our turnaround strategy. Momentum is building, and key initiatives and capital investments across all parts of the business are being executed simultaneously, across our Wired and Wireless businesses, which is all designed to position Vital and its quality fibre and radio assets more favourably to future growth and industry trends.”

“Our strategy for growing Wired is progressing as expected. While the recurring revenue component in our Wired segment (excluding modest one-offs from Installation/Hardware) declined 5.6%, this was the smallest decrease since FY2020. Alongside our significant fibre network assets, Vital is the leader in the mobile radio network market, providing the only commercial nationwide mobile radio infrastructure across New Zealand. A key Wireless strategy during FY2022 was a move to use more Wholesale channel partners, and this has flowed through into the FY2023 results.

“Looking ahead, while the growth in EBITDA of 13.9% to \$6.4 million in FY2023 was pleasing and near the top end of our guidance, we are targeting further improvement to our underlying financial performance in FY2024 to better reflect the quality of the network infrastructure we own and operate. We will continue our strong focus on cost efficiency and on optimising the return on our assets, by taking advantage of any optionality, partnering and channel opportunities to increase network utilisation. A return to revenue growth will be critical to the success of our strategy in the long term. The building blocks for revenue stabilisation and growth are in place, and there are initiatives underway in both Wireless and Wired to fuel the FY2024 sales pipeline.

“Although the operating environment and conditions offer more risk than usual to guidance, we believe they are achievable, and we are tracking to plan. We would like to take this opportunity to thank our shareholders and our customers for their ongoing support and trust in the Vital Board and Management teams. We would also like to acknowledge the Vital team for their hard work and strategic execution over the year.”

## **Results briefing**

All shareholders are invited to attend a virtual briefing on Thursday 31st August at 2.00pm with Jason. To register to attend, please [meetings.linkgroup.com/vtlfy23](https://meetings.linkgroup.com/vtlfy23) – noting that you need to register to attend at least 5-10 minutes beforehand.

This NZX release, the full-year results and related materials were authorised for lodgement with NZX by the Board of Vital Limited.

**ENDS**

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