

▶ 31 August 2023



FY2023 Results



▶ Contents

- ▶ Disclaimer
- ▶ Vital Turnaround Strategy
- ▶ FY23 at a Glance
- ▶ FY23 Results Overview
- ▶ FY23 Financial Performance
- ▶ Operational Overview
- ▶ FY24 Guidance

Disclaimer

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice, or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions, and are subject to a number of risks, uncertainties and assumptions.

All numbers relate to the 12 months ended 30 June 2023 (FY2023) and comparisons relate to the 12 months ended

30 June 2022 (FY2022) unless otherwise stated. There is no assurance that results contemplated in any projections or forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation.

While reasonable care has been taken in compiling this presentation, Vital or its subsidiaries, directors, employees, agents or advisers (to the maximum extent permitted by law) do not give any warranty or representation (express or implied) as to the accuracy, completeness or reliability of the information contained in it, or any responsibility for it.

Who are Vital

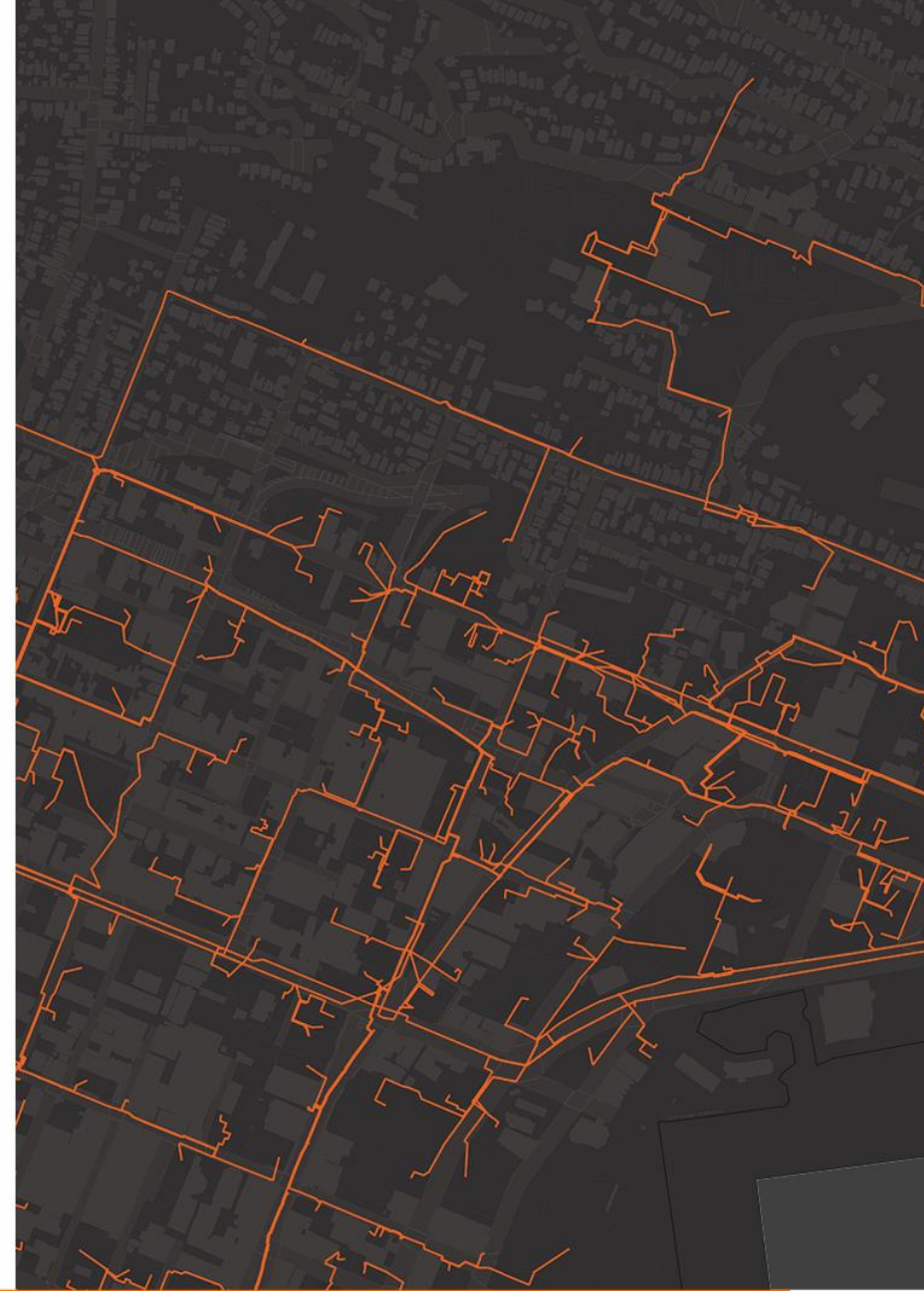
We have been providing Vital communications for over 25 years

We own and operate critical digital infrastructure across New Zealand

We have high quality fibre infrastructure in Auckland and Wellington

We are the largest commercial provider of nationwide radio in New Zealand – from CBD to the remotest parts of the country

We enable customers to deliver services critical to our nation – from Government, to Emergency Services, to Civil Defence, to Health, to Utilities, to Transport, to Education, to Logistics, to Agriculture, and much more



Turnaround strategy

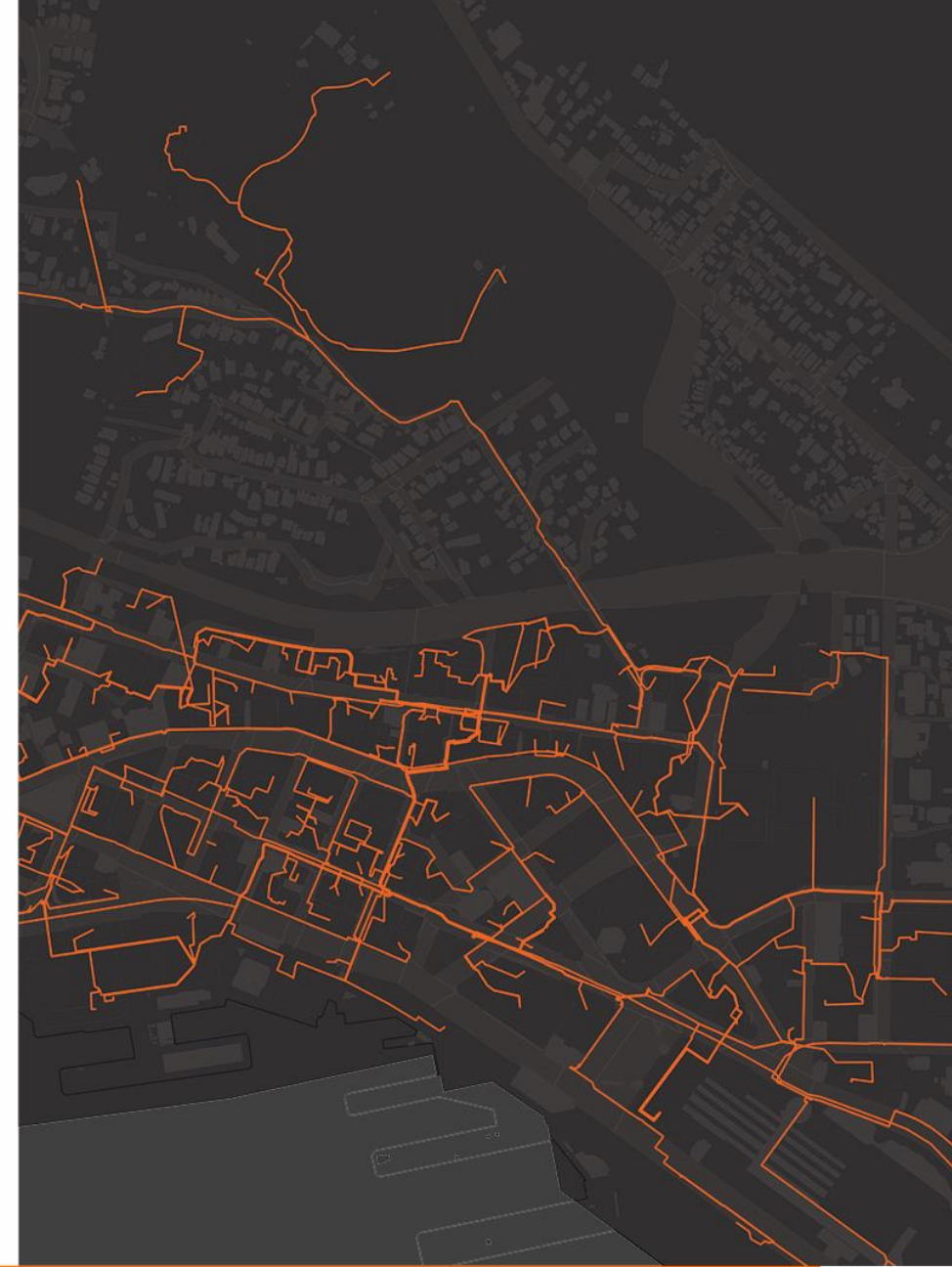
We provide innovative telecommunications solutions and networks that keep New Zealand businesses connected and their people safe

Our strategy to create value for shareholders

1. Optimise our business and our quality network assets	2. Increase access to our Wired and Wireless networks	3. Make things super easy for customers
<ul style="list-style-type: none">• Leverage our quality assets• Increased operational efficiency• Rationalise network footprint• Maximise network utilisation	<ul style="list-style-type: none">• Channel/wholesale strategy• National Radio Dealer network• Competitive commercially• Enhance sales capabilities• Open to partnerships	<ul style="list-style-type: none">• New Fibre portal• Key account management• Focus on culture and talent• Develop new solution suite
<ul style="list-style-type: none">• Reduced cost to serve• Increased free cash flow• Reduced capital expenditure	<ul style="list-style-type: none">• Increased revenue• Increased customer acquisition	<ul style="list-style-type: none">• Improved customer NPS• Improved eNPS and talent retention• Reduced churn

FY2023 at a glance

- ▶ Business repositioning well underway
- ▶ Solid progress on turnaround strategy - at the top-end of our guidance
- ▶ Adjusted EBITDA of \$6.4m up from \$5.6m
- ▶ Adjusted NPAT of \$0.5m
- ▶ Total costs reduced by 15.9%
- ▶ Investment into Wired (fibre) growth through tools & capability investment
- ▶ New Channel/Wholesale strategy has driven customer acquisition
- ▶ Renewed key customers including St Johns
- ▶ Customer NPS up to +22
- ▶ Culture has trended positively up to +25.
- ▶ Headwinds:
 - Starlink beginning to impact WBB business.
 - 2Degrees / Vocus merger impacts on some circuits.
 - Economic conditions on interest rates and operational costs
 - Revenue still not where we want it to be



Turnaround Metrics

Turnaround Metrics (\$m)	FY2023	FY2023 Metrics Guidance	Report card
Total Revenue	28.1	27.5 – 28.5	Mid-range
EBITDA (adjusted) ¹	6.4	5.8-6.5	At top end
NPAT (adjusted) ²	0.5	0.0 – 0.2	Above guidance
FCF (adjusted) ³	2.9	1.6-2.4	Above guidance

1. Post lease / rent costs that are otherwise treated as Depreciation and Interest

2. Excludes IFRS16 adjustments resulting from changes to lease profiles

3. Adjusted EBITDA (as above) less capital expenditure

FY2023 Financial Snapshot

Summary Financial Performance (\$000)	FY2023	FY2022	Change (%)
Total Revenue	28,131	31,456	(10.6%)
Staff Costs	8,057	9,878	(18.4%)
Lease / Rent Costs ¹	6,381	7,691	(17.0%)
Other Selling, General & Admin costs	7,291	8,264	(11.8%)
EBITDA (Adjusted) ²	6,403	5,623	13.9%
EBITDA (Adjusted) margin (%)	22.8%	17.9%	
Depreciation ³	4,422	6,745	(34.5%)
EBIT (operating)	1,981	(1,123)	n.a.
Impairment charge	-	17,038	n.a.
EBIT (reported)	1,981	(18,161)	n.a.
Net Interest ⁴	1,339	673	99.0%
Income Tax	180	(503)	n.a.
Net Profit after Tax (Adjusted)	462	(18,331)	n.a.
Lease accounting gain/loss (after tax) ⁵	(645)	(762)	(15.4%)
Net Profit after Tax (Reported)	(183)	(19,093)	n.a.

1. Lease / rent 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 IFRS16 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 IFRS16 for changes to lease terms (net of tax at 28%)

FY2023 Revenue

Revenue Breakdown (\$000)	FY2023	FY2022	Change (%)
Wired	9,254	9,788	(5.6%)
Wireless	16,465	18,146	(9.4%)
Installation	637	2,727	(76.6%)
Hardware & Other	1,775	795	129.5%
Total Services Revenue	28,131	31,456	(10.6%)

FY2023 Wireless

Wireless segment (\$000)	FY2023	FY2022	Change (%)
Mobile radio revenue	16,465	18,146	(9.3%)
Installation	225	2,472	(90.9%)
Hardware and Other	1,775	795	123.3%
Total revenue	18,465	21,413	(13.8%)
Less lease costs ¹	4,388	5,269	(16.7%)
Less other operating costs	10,758	12,876	(16.4%)
EBITDA (adjusted)²	3,319	3,268	1.6%
EBITDA margin (adjusted)	18.0%	15.3%	n.a.
Capital Expenditure	2,846	3,821	(25.5%)
Total Assets	36,378	40,032	(9.1%)

1. Lease/rent costs including those otherwise included in Depreciation and net Interest charges

2. Post lease (rent) costs that are otherwise treated as Depreciation and Interest

FY2023 Wired (Fibre)

Wired segment (\$000)	FY2023	FY2022	Change (%)
Total Revenue	9,666	10,043	(3.8%)
Lease / Rent costs ¹	1,992	2,422	(17.7%)
Other operating costs	2,830	2,878	(1.7%)
EBITDA (adjusted)²	4,844	4,743	2.1%
EBITDA margin (adjusted)	50.1%	47.2%	
Capital Expenditure	645	1,305	(50.6%)
Total Assets	31,404	34,014	(7.7%)

1. Lease/rent costs including those otherwise included in Depreciation and net Interest charges

2. Post lease (rent) costs that are otherwise treated as Depreciation and Interest

Insert relevant notes here

Balance Sheet and Cashflow

Selected balance sheet figures (\$000)	FY2023	FY2022	Change (%)
Net Debt	13,497	13,203	(294)
Right of use assets ¹	19,809	24,235	(4,426)
Right of use liabilities	21,329	25,279	(3,950)
Wired network assets ¹	31,404	34,104	(2,700)
Wireless network assets ¹	36,378	40,032	(3,654)
Capital expenditure	3,493	6,119	(2,626)
Operating cashflow (adjusted) less capex	2,912	(242)	3,154

1. Network assets (Wired and Wireless) include Right of use assests (mostly in Wireless)

Operational overview

- ▶ Key customers retained and renewed - St John
- ▶ Resilient networks came through extreme weather events well
- ▶ Actively addressing historical decline in revenue
- ▶ Bank facility extended to 2025
- ▶ New sales channel strategy delivering results
- ▶ Management and Board renewal in line with strategy
- ▶ Network replacement costs have increased, underlining quality of assets

Looking ahead

- ▶ Risk factors to manage and mitigate – including macroeconomic uncertainty, cyber-risk, and extreme weather events
- ▶ Demand for network services expected to grow year on year
- ▶ Key FY2024 focus areas will include cost efficiency, new product solutions, network utilisation, and new sales and partner opportunities
- ▶ Will be looking to maintain turnaround momentum and strategic execution



FY24 guidance metrics

Turnaround Metrics (\$m)	FY2023 Actuals	FY2023 Metrics Guidance	FY2024 Metrics Guidance
Total Revenue	28.1	27.5-28.5	28.0-29.0
EBITDA (adjusted) ¹	6.4	5.8-6.5	6.6-7.1
NPAT (adjusted) ²	0.5	0.0-0.2	0.7-1.1
FCF (adjusted) ³	2.9	1.6-2.4	3.0-4.0

1. Post lease / rent costs that are otherwise treated as Depreciation and Interest

2. Excludes IFRS16 adjustments resulting from changes to lease profiles

3. Adjusted EBITDA (as above) less capital expenditure

▶ End