

27 February 2024

Vital[®]

1H FY2024 RESULTS

▶ CONTENTS

- ▶ Disclaimer
- ▶ Turnaround Strategy
- ▶ 1H 24 at a Glance
- ▶ 1H 24 Results Overview
- ▶ Operational Overview
- ▶ Outlook

DISCLAIMER

The information in this presentation 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 6 months ended 31 December 2023 (1H FY24) and comparisons relate to the 6 months ended 31 December 2022 (1H FY23) 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

▶ WE ARE VITAL TO AOTEAROA

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

▶ 1H24 AT A GLANCE

- ▶ Progressing turnaround strategy
- ▶ NPAT of \$0.05m versus loss of \$0.19m for same prior year period
- ▶ Adjusted EBITDA of \$3.2m up 5.1% on same prior year period
- ▶ Operating costs down \$0.85m (7.7%) on same prior year period
- ▶ Wireless channel strategy delivering results
- ▶ Wired customer engagement and order automation improvements
- ▶ Key contracts renewed: St John, Powerco and FENZ
- ▶ \$3.7m of new contracts signed in 1H
- ▶ FY24 guidance adjusted: revenue and earnings slightly lowered, free cash flow towards upper end of plan
- ▶ NPS up to +35

1H24 FINANCIAL SNAPSHOT

Summary Financial Performance (all figures \$000)	1H FY2024	1H FY2023	Percentage Change
Total Revenue	13,455	14,148	-4.9%
Staff costs	4,046	4,058	-0.3%
Lease/rent costs ¹	3,133	3,346	-6.4%
Other Selling, General & Admin costs	3,075	3,700	-16.9%
EBITDA (Adjusted) ²	3,201	3,044	5.2%
EBITDA (Adjusted) margin (%)	23.8%	21.5%	
Depreciation ³	2,267	2,183	3.8%
EBIT (reported)	934	861	8.5%
Net Interest ⁴	728	599	21.5%
Income Tax	58	73	-20.9%
Net Profit after Tax (Adjusted)	149	189	%
Lease accounting gain/(loss) (after tax) ⁵	-97	-379	-74.5%
Net Profit after Tax (Reported)	52	-190	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 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%)

▶ 1H24 REVENUE

Vital Revenue Breakdown (all figures \$000)	1H FY2024	1H FY2023 Restated ⁽¹⁾	Percentage Change
Wired (Fibre)	4,617	4,782	-3.5%
Wireless (Mobile Radio)	8,524	8,803	-3.2%
Installation	194	236	-17.7%
Hardware & Other	120	327	-63.3%
Total Services Revenue	13,455	14,148	-4.9%

(1) 1H FY2023 restated to allocate certain amounts previously in “Hardware & Other” and “Installation” into the Wired and Wireless categories. There is no change to the total revenue amount.

1H24 WIRELESS

Wireless segment (all figures \$000)	H1 FY2024	H1 FY2023	Percentage Change
Revenue	8,732	9,206	-5.1%
Lease/rent costs ¹	2,192	2,248	-2.5%
Other operating costs	4,472	5,110	-12.5%
EBITDA (Adjusted) ²	2,068	1,847	11.9%
EBITDA Margin (Adjusted) ²	23.7%	20.1%	
Capital expenditure	866	1,349	-35.8%
Total assets	32,834	36,793	-10.8%

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.

1H24 WIRED (FIBRE)

Wired segment (all figures \$000)	H1 FY2024	H1 FY2023	Percentage Change
Revenue	4,723	4,942	-4.4%
Lease/rent costs ¹	941	1,097	-14.2%
Other operating costs	1,669	1,721	-3.0%
EBITDA (Adjusted) ²	2,113	2,124	-0.5%
EBITDA Margin (Adjusted) ²	44.7%	43.0%	
Capital expenditure	338	350	-3.6%
Total assets	31,081	33,972	-8.5%

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.

BALANCE SHEET AND CASHFLOW

Selected Balance Sheet and Cashflow Figures (all figures \$000)	H1 FY2024	H1 FY2023	Change
Bank debt	13,300	14,000	-700
Cash	79	752	-673
Right of Use Assets ¹	18,236	22,093	-3,857
Right of Use Liabilities	19,848	23,413	-3,565
Wired assets ^{1,2}	31,081	33,972	-2,891
Wireless assets ^{1,2}	32,834	36,793	-3,959
Operating Activities cashflow (Adjusted) ³	3,201	3,044	157
Capital expenditure	1,203	1,699	-496
Op cashflow (Adjusted) less Capex	1,998	1,345	653

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

2. Note that the prior period interim report reflected Wired and Wireless assets that excluded Right of Use assets. H1 FY2023 has been restated to show a like for like comparison.

3. Cashflow from Operating Activities in Financial Statements less Principal payment of Lease Liabilities

▶ OPERATIONAL OVERVIEW

- ▶ Key customers retained and renewed - St John, Powerco, FENZ
- ▶ New contracts signed
- ▶ Revenue stabilising
- ▶ New Fibre Portal enabling self-serve capability
- ▶ Pipeline growth
- ▶ Noncustomer funded Capital expenditure continues to decline
- ▶ Ongoing emphasis on customer and culture
- ▶ VTL is confident of recurring revenue growth moving into FY25

▶ LOOKING AHEAD

- ▶ Risk factors to manage and mitigate – including macroeconomic uncertainty, cyber-risk, and extreme weather events
- ▶ Improved engagement with fibre customers expected to progressively deliver benefits
- ▶ VTL is confident of recurring revenue growth moving into FY25
- ▶ Will be looking to maintain turnaround momentum and strategic execution

FY2024 GUIDANCE METRICS

Turnaround Metrics (all figures \$m)	H1 FY2024 (Actual)	FY2024 (Updated)	FY2024 (Previous)
Revenue	13.46	26.7 – 27.2	28.0 – 29.0
Adjusted EBITDA ¹	3.20	6.4 – 6.7	6.6 – 7.1
Net Profit after Tax (adjusted) ²	0.15	0.4 – 0.7	0.7 – 1.1
Adjusted free cash flow ³	2.06	3.8 – 4.4	3.0 – 4.0

1. Post lease costs that are otherwise treated as depreciation and interest

2. Excludes IFRS 16 accounting adjustments resulting from changes to lease profiles

3. Adjusted EBITDA (as above) less capital expenditure



END