



Vital FY22 Results Announcement

Vital Limited (NZX: VTL), a specialist radio and fibre network services provider today announced a full-year, after-tax loss of \$19.1 million for the 12-month period ended 30 June 2022.

The result includes a one-off impairment (non-cash) of \$17.0 million against the carrying value of the company's goodwill.

Relative to the prior corresponding period (FY21) Vital recorded a 10.7% decline in revenue to \$31.4 million, compared with \$35.2 million, and a 32% decline in reported EBITDA to \$11.2 million from \$16.4 million in FY21.

Vital's new Chairman, John McMahon, says the result reflects a combination of material events directly impacting the bottom line, with approximately \$3.3 million of the EBITDA impact related to one-off items, including the culmination of the St John project, former CEO settlement costs, some NGCC costs and IFRS16 adjustments.

"While it is still early days in terms of my role, I can see that Jason and his team have a firm grip on the wider operating landscape and issues Vital needs to work through. Importantly, they are already implementing specific plans to improve underlying performance across the organisation, which is encouraging.

"The turnaround metrics Vital has released today reflect an important baseline that shareholders will be able to measure progress against, and importantly, hold the business and the Board to account – as we move to reset a stronger and more sustainable financial foundation," said Mr McMahon.

"I am confident that the Board recognises that all levers need to be tested to improve the company's long-term prospects. Over the coming months I will complete a review of the Board composition to ensure that we have the necessary governance skills to support this turnaround," he adds.

During the period under review Vital's net debt reduced by approximately 8%, or \$1.1 million, to \$13.2 million. Capital expenditure declined by approximately 39% to \$5.1 million on the prior period. Vital management forecasts capital expenditure will decline to \$4.1 million in FY23 and reduce again in FY24 – with further detail to be provided in the company's FY23 result.

Vital's recently confirmed Chief Executive Officer, Jason Bull, said: "This 12-month trading result reflects the full extent of the downward trajectory in which Vital was trending. Our responsibility now is to reverse this with a set of plans capable of stabilising our core radio and fibre recurring revenues, better managing cash flow and continuing to improve our balance sheet position.

"In the last three years Vital has made significant investments across its radio and fibre network, which we are now leveraging, to generate a more attractive 'cost to serve' basis and from FY23 start to improve our operating margin.

"We also see a different competitive model emerging where Vital operates more as a strategic partner to major dealers and channels. This is one area we are pursuing at pace following talks with several parties, which will see Vital operating more in the wholesale space while continuing to focus on serving our anchor clients and partnering with major suppliers on large telecommunications projects.

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Turnaround metrics

Vital's Board and Management have established the following turnaround metrics which will be used to measure progress against over the following financial periods:

Metric NZD\$m	FY23	FY24
NPAT <i>*Excludes IFRS16</i>	\$0.0 - \$0.2m	\$0.7m - \$1.1m
Revenues	\$27.5m - \$28.5m	\$28.0m - \$29.0m
Adjusted EBITDA <i>(post lease costs)</i>	\$5.8m - \$6.5m	\$6.6m - \$7.1m
Adjusted free cash flow <i>(EBITDA less capital expenditure)</i>	\$1.6m - \$2.4m	\$3.0m - \$4.0m

Commenting on the turnaround metrics Vital's Chairman, John McMahon said: "They have been carefully tested against a range of scenarios and the Board is satisfied they are realistic and an important part of holding the business to account on behalf of shareholders. Jason and the team are moving at pace on the FY23 targets. July was a solid trading month, so there is a sense of optimism about delivering on the challenge in front of us."

The above turnaround metrics are subject to there being no material adverse or unforeseen events during this period.

Dividend

While VTL's dividend remains suspended, it will remain under review by the Board and CEO during FY23 going into FY24.

Results briefing – 2pm

All shareholders are invited to attend a virtual briefing this afternoon at 2pm with with Jason and John. To register to attend, please [click here](#) – 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

For further information, please contact:

Jason Bull
Chief Executive, Vital

M: +64 27 497 4548
E: jbull@vital.co.nz

Or

John McMahon
Chairman, Vital

M: +64 21 091 40236
E: john.mcmahon@auroinvest.com