



Chief Executive's Vital Annual Meeting Presentation

19 October 2021

Good afternoon shareholders,

I would like to extend a warm welcome to you all, from both myself and my leadership team who are all in the room today.

PSN

I know many of you are keen to understand more detail regarding the PSN announcement made earlier today. I have had questions from several of you today and so let me provide to all of you a bit more clarity around what the decision means for Vital.

PSN, whilst an opportunity, also came with a number of large risks. The scale of the build and ongoing service is something we believe we could deliver but at the same time it is something that would not have immediately changed the bottom line. The first component is to build the new radio network, and this is going to take several years to complete along with a whole raft of challenges to be mitigated. Once the network is built then the different emergency services will have to be moved over, which sounds simple but is a complicated piece of work as you need to ensure that all personnel are still able to communicate with each other. We know this, as we have been performing this activity with our customers over the last few



years as we have migrated our customers off our analogue networks onto our new digital network.

Whilst this is a lost opportunity, we believe there are various aspects of the deliverables that we can assist with. We have reached out and spoken with other parties today who are moving forward with commercial negotiations offering our assistance and we believe there is a potential partnering model that makes use of our knowledge, experience and capabilities.

So, what is the impact to the business today, next year and the future. Let me be very clear, there is no impact to the business today or the immediate future. We are the same business as last week. We are contracted to provide a service to St John Ambulance on our network out to 2025, and subject to the build of the new network and subsequent migration, this may well have to be extended to provide continuous service. The contract with St John represents only 8% of our operating revenue and the impact to profit is minimal.

While the announcement today represents a lost opportunity for the future, the opportunity cost of trying to win PSN over the last year has been significant. Our initial response in May consisted of 40 documents, 1,524 pages with 383,833 words and 257 diagrams. This was a huge effort by the team, and the quality was better than I have seen produced in a number of different multi-national companies. This effort, including all the subsequent workshops and a huge redesign following a change in scope and



architectural rules, has meant that some other opportunities have not been pursued as rigorously as we would've liked.

Go to Market

The PSN decision will now allow us to focus on pursuing those opportunities that we have made our investments for. Last year I spoke about getting our marketing into gear and improving our digital footprint. I have to hold my hand up and say on this I have not delivered. . We have begun this with a redesign to our engagement model with our automated customer portals as well as our website and produce material that will enable greater engagement with the different sectors of the market.

Our go to market capabilities have been enhanced this year with the addition of two new members on the executive team.

Stuart MacIntyre joined us in May as our new Chief Technology Officer. Stuart brings to Vital over 20 years of international telecommunications and digital transformation experience. This includes developing strategies and execution of plans to deliver the latest digital solutions, and product development for consumers and enterprise customers. His experience includes time at both British Telecom and Optus.

Stuart brings to Vital his outstanding commercial acumen and history of running tender assessments and winning significant bids along with a deep understanding of the customer. He is passionate about Vital's vision and is keen to help articulate the significant role we play for all New Zealanders.



Then in September Paul Rennie joined us as the new Head of Sales.

Paul brings to Vital over 20 years telecommunications and transformation experience gained in both the UK and New Zealand. Paul's experience was initially in delivery where he managed large complex programmes and teams delivering critical projects for organisations including T-Mobile, Orange, O2 and Spark.

Paul's experience in sales has been developed over the last 10 years and was most recently General Manager of Sales at Nokia New Zealand. Some of his recent achievements include winning customer expansions in 4G and 5G radio systems, Telco Cloud deployments and IP systems with some of the largest cellular operators in New Zealand.

Paul recognises the importance of Vital being involved with the next generation of critical communications capabilities and looks forward to developing plans to fully leverage the exceptional nationwide presence, business solutions and asset holdings that Vital possess.

Paul and his unique set of skills along with his excellent people management and enthusiasm is not only providing inspiration to his sales team but is inspiring the rest of the organisation as we now seek to leverage our investments made over the last few years.

Stuart and Paul are keenly working together along with our Chief Architect Andrew Johnston to package up our capabilities into a cohesive story and product catalogue.

Last Year

The current Covid-19 situation is a stark reminder of how we have had to change the way we operate as we adapt to an evolving situation both overseas and within New Zealand. We are all aware that the last 18 months have thrown up challenges to companies across the country that have been new and unprecedented, and at Vital we are proud that our teams have risen to these challenges to ensure that we continue to operate effectively on a day-to-day basis, and to also ensure that our transformation programme continues as it should, to provide New Zealand with the critical communications it demands.

Vital continued to deliver its essential services without interruption to our customers, and has ensured organisations such as St. John Ambulance, Wellington Electricity, Powerco, First Gas, MBIE, MPI and our other customers have been able to operate in the knowledge that their critical communications are secure, and maintenance has been ongoing despite the lockdown challenges.

Major Capital Investments - Fibre

The successful completion of the undergrounding of our fibre network in Wellington CBD and the associated switchover to our new electronics was due to the outstanding effort by our Outside Plant team who worked many long nights for months, whilst also ensuring business as usual was delivered. This success has meant that over 200 overhead stays have been removed and all circuits successfully cutover to the new network.

St John Ambulance

The most critical deliverable over the last year has been the upgrade of the core network for the St. John Ambulance radio network. The modernisation of the network entails moving to a modern IP based core and service edge which will improve availability and service outcomes. This has been an extremely complicated piece of work as sites have had to be pre-built and made ready for the new equipment installation, whilst also ensuring the existing network stays fully available.

The initial challenge was to ensure the new IP core could talk to the old analogue equipment on the sites and this took considerable effort across our different teams and partners to ensure a successful cutover. Many of these sites, like our other networks, are in remote locations around New Zealand and require careful planning and co-ordination to ensure the work can be completed effectively. This includes helicopter only access sites and weather conditions which can be extreme.

Operational Improvements

Over the last year at Vital we have seen several exciting operational improvement programmes across our different platforms. These are an important part of the overall transformation of the company, and we are pleased with progress. One of our biggest programmes has been to automate monitoring which means we now cover over 33,000 network elements, and there will be further elements automated going forward as part of this continuous improvement programme. The automation of our monitoring now means that approximately 75% of all incidents are



automatically managed, and this not only provides improved visibility across the network which enables our Network Operations Centre to identify issues early, and investigate proactively, but we are better able to meet customer expectations and deliver to agreed SLAs.

It is encouraging to see the clear benefits of the investments we have made into our infrastructure over the last few years, including a downward trend in the number of faults across the network. Some of the downwards trend is a result of less change that took place during the upgrade works of the networks; however overall, there are fewer outages as a result of improved power supplies, better monitoring and a reduction in the single points of failure that existed within our legacy architecture. The upgrade works have also improved legacy synchronization and latency issues along with improved configuration and routing.

Closing ActionNet

We achieved our target of closing down ActionNet by the end of June which has included a long programme to move customers across onto our new digital network. The closure, has in some respects, been quite a sad moment as this is the network that started the company back in 1994. It has however been an important element of the company's transformation as the closure of the legacy network will contribute to the savings that will start to be realised over the next few years. The immediate next steps are the removal of equipment and tidy up of the sites.

Closing



Five years ago, I stood in front of you for the first time, in the middle of analysing the business and wondering how we could reduce our debt, mitigate the risks around the impact of the removal of the trolleybus infrastructure to our fibre network whilst needing to reinvest in our infrastructure and new services.

Its taken time but we have delivered the initial transformation and the company is in a far healthier position than it was back in 2016. Yes, its not great standing here on a day like today where have missed out on an opportunity, but it is not disastrous.

I am confident that with focus and the energy of Paul and Stuart along with the whole of Vital we can and will secure profitable growth.

Thank you

To you, our shareholders for supporting us in our vision, our customers without whom we would not exist, our suppliers and partners who work alongside us to ensure we can deliver the services, and our staff who work tirelessly to meet the timelines on deliverables and who make the organisation what it is. I would like to say thank you.

Thank you and lets **“Keep New Zealand in touch when it matters most”**

Andrew Miller

Chief Executive