25 February 2022

VITAL Limited (NZX: VTL), the publicly listed telecommunications services provider today released its interim financial results for the six months to 31 December 2021.

Vital recorded revenue of $16.5m compared with $17.85m in the prior corresponding period. The 7.6% fall in revenue resulted in a net loss after tax of $0.799m compared with a $0.506m profit in the first six-months of FY21.

Vital Chairman, Roger Sowry, said: “Notwithstanding that factors outside our control have contributed to the result, the first half performance is disappointing. The Board will be undertaking a detailed review of Vital’s operations and ways in which performance can be improved.”

“The findings of the review will be communicated to shareholders within the current financial year,” said Mr Sowry.

In the interim, the Board has also made the decision to suspend the payment of a dividend in FY22. This decision will be reviewed during FY23.

Vital Chief Executive, Andrew Miller, said: “The interim result fairly reflects the prolonged affect Covid-19 is having on performance, amplifying the challenge to grow revenue in a mature, competitive market where customers are investing more cautiously, and inflationary cost pressures continue to rise.”

“The business generated positive free cash flow in the first half, notwithstanding a material one-off investment related to pursuing the PSN tender.”

“To navigate this period and remain focussed on the evolving needs of customers (both existing and prospective) and our strategic partners, we are actively managing operational expenses and capital expenditure requirements – while continuing to generate free cash flow growth,” said Mr Miller.

Of the previously targeted $2.0m in operational savings, Vital expects to realise up to $0.7m of this during the current financial year. The remaining $1.3m of savings is expected to be realised during FY23.

During the period $2.1m of capital expenditure was invested of which 60% was customer funded. The full year outlook is $5.2m, which reflects a $3.1m reduction on an annualised basis.

Subject to there being no unforeseen material event the Vital Board and management expect annual capital expenditure to continue to decline between FY23 and FY25.

Vital reduced net debt by $0.807m to $13.649m in the first half of FY22 and secured an extension of its banking facility with the Bank of New Zealand until January 2024.

Outlook

Vital expects to report a full year loss for FY22. The Board will provide the market with updated guidance closer to the company’s full year reporting date.

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