



25 August 2020

VITAL meets guidance: Declares dividend of 2.5cps

[VITAL](#) Limited (NZX: VTL), the publicly listed telecommunications services provider today announced its annual result for the financial year ended 30 June 2020. Profit after tax was \$0.734m.

Vital is pleased to announce EBITDA of \$14.15m in line with guidance. This figure has been achieved despite the impact of Covid-19 which has been a contributing factor in the reduction in revenue to \$33.36m compared to \$35.449m last year. As we announced at the interim results, additional time will be required to get to completion of the capital programmes which will not increase costs but will change the phasing of the capital expenditure. The timings have been further impacted as a result of Covid-19 which has both delayed supply of components as well as cut short the available time to work on site.

Despite our increase in costs as forecast last year, debt at \$12.14m has not increased as much as anticipated from \$11.09m at the end of the last financial year.

As with our interim results earlier this year, IFRS16 although non-cash impacting, has impacted our results. Net Profit after tax exclusive of IFRS16 is \$1.175m, \$0.028cps.

The Directors have declared a fully imputed dividend of 2.5 cents per share payable on 16 October. The record date for entitlement to the dividend is Friday 2 October. The dividend payment at 88% of net profit is outside of the company's dividend payment policy of 50-70% of net profit at the end of the financial year. The directors have made this decision based on low debt and a strong cash position.

Chief Executive Andrew Miller said: "As with many other organisations we have been impacted by Covid-19 and will continue to do so for some time until a resemblance of normality becomes consistent. We had always forecast that the year would be impacted by higher costs as we continue to move forward with our capital investments but the impact of Covid-19 increased our costs as we put in place additional facilities to provide for an additional Network Operating Centre along with



other safety measures to ensure we could continue to deliver the essential services to our customers whilst protecting our employees.”

Capital expenditure for the last year was \$9.0m with about 80% of that being for investment into new infrastructure and services. For the year ending 30 June 2021 Vital is forecasting capital expenditure to be around \$7.5m with just over 50% of this going towards infrastructure and new services. This trend will continue as we finish our major capital programmes and the majority of capital expenditure becomes customer funded.

Andrew Miller said: “The end of our capital reinvestment programmes are getting closer although slightly later than anticipated. As we move forward into the future financial years, we will see capital expenditure go back to normal levels. This year a significant component of capital expenditure is for the St John Ambulance network following on from the contract we signed earlier this year.”

Vital Chairman Roger Sowry said: “The Board is delighted that despite the impact of Covid-19 it has been able to announce a dividend. Whilst our capital programmes are all aligned to their budgets, the timings have been extended due to both unforeseen difficulties and Covid-19. Despite the challenges we have had some good highlights including our new contract with St John Ambulance.”

IFRS16

IFRS16 is the new accounting standard in relation to the treatment of leases and impacts those businesses with sizeable portfolios of leased properties. It is important to note that the impact is non-cash. The impact of IFRS16 is illustrated in the table below. In summary;

- Reported Net Profit After Tax (NAST) is \$0.441m less.
- Earnings per Share (EPS) in turn has reduced from \$0.028 cps to \$0.018 cps due to the impact of the new accounting standard.
- There is no cash impact.

Comparative Financials				
\$NZD 000's	Year Ended 30/06/2019	Year Ended 30/06/2020		
		Result excluding IFRS16	NZ IFRS 16 Impact	FY20 Reported Results
Revenue	35,449	33,356	-	33,356
EBITDA	11,117	7,733	6,418	14,151
Depreciation and Amortisation	(4,421)	(5,018)	(5,619)	(10,637)
EBIT	6,696	2,715	799	3,514
Finance Income	84	100		100
Finance Expenses	(1,248)	(1,181)	(1,412)	(2,593)
NSBT	5,532	1,635	(613)	1,022
Tax	(1,478)	(460)	172	(288)
NSAT	4,054	1,175	(441)	734
Earnings per share	\$ 0.112	\$ 0.028		\$ 0.018

