

## Arvida Group Limited (ARV) Market Release

23 NOVEMBER 2016

### ARVIDA ON TRACK TO DELIVER STRONG FY17 RESULT

- Underlying Profit<sup>1</sup> of \$9.6 million, up 31% on pcp.
- Underlying earnings per share of 3.46 cents, up 18% on pcp.
- Care occupancy tracks higher to 95%.
- Momentum in unit sales with strong resale gains.
- Outlook – the business is performing well and is on track to deliver strong FY17 result.

#### Financial Performance

Arvida Group Limited (NZX:ARV) today announced a Net Profit After Tax of \$19.4 million for the six months to 30 September 2016. The results include a full period of operations from the Aria villages and a three-month contribution from Lansdowne Park.

For the first six months to 30 September 2016 demand continued to strengthen for Arvida village and care facilities. Total revenue for the period increased to \$46.9 million. Care facilities revenue represented over 72% of total revenue. The care facilities' occupancy rate continued a positive trend and ended the period at over 95% across the Group.

Total operating expenses were \$37.2 million and Bill McDonald CEO said "we continue to invest in our people and systems with the view that enduring synergies will be delivered from associated efficiency and productivity improvements."

The investment properties delivered \$14.3 million of gains in fair value from a desktop valuation review completed by CBRE at 30<sup>th</sup> September 2016.

Underlying Profit of \$9.6 million compares to \$7.3 million for the prior corresponding six month period. Included within Underlying Profit were \$3.9 million of gains, comprising \$3.2 million from 87 resales of existing units and \$0.7 million from sales of 12 new units. Good momentum was evident in unit sales, with new unit pricing delivering strong resale gains across village stock and contributing to the fair value increase.

Underlying profit per share<sup>2</sup> increased 18% on the prior corresponding period to 3.46 cents per share.

#### Balance Sheet

Total assets grew to \$537.2 million, up \$76.5 million since the start of the financial year.

---

<sup>1</sup> Underlying Profit is a non-GAAP financial measure and differs from NZ IFRS net profit after tax by replacing the fair value adjustment in investment property values with the Board's estimate of realised components of movements in investment property value and to eliminate deferred tax and one-off costs.

<sup>2</sup> Calculated with reference to the weighted average number of shares on issue for the period.

External bank debt was \$32.4 million at 30 September 2016. A new \$80.0 million term bank facility was put in place in October. The facility provides sufficient headroom to fund planned brownfield development and acquisition activity. Arvida remains conservatively geared at 10% on completion of the October acquisitions and capital raising.

### **Acquisitions and Capital Raising**

On 1 July 2016, the acquisition of Lansdowne Park was settled. This village added 93 units and 50 aged care beds. The purchase was funded by \$14.6 million of bank debt and \$6.0 million of shares issued to vendors. Bare land adjacent to the village has since been acquired with a view to constructing up to 5 villas.

On 20 September 2016, the purchase of Bethlehem Views and Copper Crest Village Estate in Tauranga and Lauriston Park in Cambridge was announced. The villages added, in aggregate, 247 units and 88 care beds plus significant capacity for future brownfield development. The \$66.4 million purchase price was satisfied by the issue of \$18.5 million shares to vendors, a pro rata renounceable rights offer that successfully raised \$41.8 million, with a 90% take-up of entitlements amongst shareholders, and the balance from the new banking facility. Settlement occurred on 3 October 2016 for all three villages.

Commenting on the recent acquisitions, Bill McDonald said “the villages are in prime growth regions where we didn’t have a presence. Market reaction to the acquisitions has been positive with the rights offer receiving strong support from institutions and existing shareholders.”

Integration of Lansdowne Park was successfully accomplished in the period and progress with the integration of the three recent acquisitions is proceeding smoothly.

### **Further Acquisition**

On 23 November 2016, Arvida entered into a conditional agreement, subject to regulatory approvals, to acquire 100% of the shares in Cascades Retirement Resort Limited for \$21.2 million. Cascades is located in Hamilton and comprises a recently constructed aged care facility and integrated retirement village. It has 37 retirement units and 74 care beds as well as bare land for future development of over 40 units. The acquisition is immediately accretive to earnings and is to be funded from existing debt facilities with gearing increasing to 14% post completion. Settlement is expected to occur on 30 December 2016.

### **Development Update**

192 units and 33 care beds are consented and currently in varying stages of construction.

Resource consent was obtained in August for the Rhodes on Cashmere development in Christchurch that includes 28 apartments and a combination of 33 care suites and care beds. Resource consent was also obtained for construction of 22 new villas on land acquired adjacent to Oakwoods in Nelson. Enabling works at both Rhodes on Cashmere and Oakwoods started in November.

Construction of 24 new apartments at Aria Bay in Auckland is progressing well and construction of 78 new apartments at Park Lane in Christchurch is due to commence this side of Christmas.

### **Operations**

The investment in our people and operations continues with the view that enduring synergies will be delivered from associated efficiency and productivity improvements.

In recently completed Ministry of Health audits, four of Arvida’s care facilities were distinguished in achieving certification for a 4 year period. Standardised Arvida clinical policies and procedures are now in all villages.



The rollout of a resident management system and introduction of a rostering and time attendance system continues across the Group.

#### **Dividends**

The Directors approved a dividend of 1.1 cents per share amounting to \$3.7 million for the September quarter. The dividend is partially imputed at 0.4 cents per share. A supplementary dividend of 0.18 cents per share will be paid to non-resident shareholders. The record date for the dividend is 8 December 2016 and payment will be made on 16 December 2016.

#### **Outlook**

Commenting on Arvida's financial performance, Chairman Peter Wilson said, "we were pleased to announce a result well ahead of last year's performance. We expect the group to continue to perform well with this momentum continuing for the full year."

- ENDS -

#### **For more information, please contact:**

Bill McDonald, Chief Executive Officer, Arvida Group Limited  
Tel: +64 21 270 3669 or email: [bill.mcdonald@arvida.co.nz](mailto:bill.mcdonald@arvida.co.nz)

Jeremy Nicoll, Chief Financial Officer, Arvida Group Limited  
Tel: +64 21 403 665 or email: [jeremy.nicoll@arvida.co.nz](mailto:jeremy.nicoll@arvida.co.nz)

#### **About Arvida:**

Arvida Group Limited (**Arvida**) is a retirement village group with an emphasis on providing a continuum of care from independent living through to high quality aged care services. Arvida has 25 villages across New Zealand comprising: Aria Bay, Aria Gardens and Aria Park, Auckland; Copper Crest and Views, Tauranga; Lauriston Park, Cambridge; Glenbrae, Rotorua; Molly Ryan, New Plymouth; Lansdowne Park, Masterton; Olive Tree, Palmerston North; Waikanae Lodge, Waikanae; Oakwoods and The Wood, Nelson; Ashwood, Blenheim; Ilam, The Maples, Mayfair, Park Lane, Rhodes on Cashmere, St Albans, St Allisa and Wendover, Christchurch; and Bainlea House, Bainswood House and Bainswood on Victoria, Rangiora. Arvida's shares trade on the NZX Main Board under the code ARV. See [www.arvida.co.nz](http://www.arvida.co.nz)

