ARVIDA DECLARES SPECIAL DIVIDEND ON 43% LIFT IN UNDERLYING PROFIT

FY18 Highlights

> **Underlying Profit[1] of $33 million, up 43% on FY17**
> **NPAT of $58 million, up 7% on FY17**
> **High care occupancy at 96%**
> **Exceptional Net Promoter Score recorded in resident survey**
> **295 total occupation rights sales, up 49% on FY17**
> **97 new units delivered, 79 settled at 19% development margin**
> **Development activity in progress across 8 brownfield sites and one greenfield site**
> **Future development pipeline of nearly 1,100 new units**
> **Final dividend lifted to 1.56 cents per share, bringing total FY18 net dividends to 5.01 cents per share, up 13% on FY17**

28 May 2018 – Arvida Group Limited (NZX:ARV), one of New Zealand's largest aged care providers, today reported a full year result significantly ahead of last year.

Arvida Chief Executive Officer Mr Bill McDonald said "With an exceptional resident survey outcome and continued high care occupancy, 2018 has been another year of outperformance and milestones being accomplished. Revenue for the financial year of $132 million was up 30% on the back of higher occupancy and continued acquisition activity.

"On an overall basis, we delivered a 43% lift in Underlying Profit to $33 million," he said.

Underlying Profit included gains on the settlement of 295 new sales and resales of occupation rights during the year, a 49% increase on the year before.

Average occupancy across Arvida's 26 aged care facilities was recorded at 96% in March 2018.

Revenue from the aged care business continued to represent 70% of reported revenue providing a stable core of operating cash flow.

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[1] Underlying Profit is a non-GAAP unaudited 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 items.

Dividend

Arvida Chair Mr Peter Wilson said Arvida's shareholders will receive an increased final ordinary dividend of 1.30 cents per share.

As well as the ordinary dividend, Arvida announced that a special dividend of 0.26 cents per share will be paid, lifting the total dividend payments for the full year to 5.01 cents per share.

Mr Wilson said, "We are pleased to be returning a total of $20 million to our shareholders in dividends for the full year – an outcome of the strong momentum evident in the business."

The dividends are payable on 21 June 2018.

Clinical Excellence

Arvida reported 83% of Ministry of Health certification audits completed during the year achieved the gold standard of four-year certification.

Mr McDonald said improvement in clinical operations reflected the work completed by village and clinical managers on implementing Arvida's model of care across the Group. Arvida's resident management system that enabled access to real-time care information was now operating in 23 villages.

"We continue to invest in our systems and our people, providing training and development opportunities to support better outcomes for our residents," he said.

Using Net Promoter Score (NPS) as a key measure Mr McDonald said, "We achieved exceptional resident survey results, exceeding our previous result, demonstrating Arvida has a very strong set of promoters. The result reinforces our vision of service excellence and focus on the resident experience."

Arvida reported NPS of +53 and + 51 for its retirement village and care facility resident surveys respectively. NPS is used globally as a customer satisfaction measure. The overall resident response rate was a high 70%.

Development and Acquisition

Arvida's total asset value increased to $1.1 billion, up $337 million on the same period last year, with almost 4,000 residents living in its 29 villages.

Mr McDonald said Arvida was pleased to acquire three quality villages during the year that complemented Arvida's integrated care strategy and national footprint. The villages were successfully integrated and had performed above budget.

Independent valuations for all Arvida care facilities and retirement villages were performed by a panel that comprised registered valuation firms CBRE Limited and Jones Lang LaSalle Limited. Commenting on the panel approach, Mr McDonald is said it reflected practice in other property sectors but was a first for the listed retirement sector in New Zealand.

Arvida reported the implied value of its portfolio had increased to $1.28 per share.

Arvida continued to execute its development programme with a sizable pipeline that included nearly 1,100 units and beds to be progressively completed over the next six years. Development was in progress at eight brownfield sites and one greenfield site.

During 2018, Arvida delivered 97 new units across six villages. Gross proceeds from the settlement of 79 new unit sales in the year was $42 million at a development margin of 19%. Over 100 new units are expected to be delivered this financial year said Mr McDonald.

With development activity located within the Waikato and Bay of Plenty regions, a demographic 'Golden Triangle' for retirement living and aged care, Mr McDonald said Arvida had secured a highly experienced team that brought contractor functions in-house. "Arvida will now replicate head contractor functions in-house to complete care and apartment construction in the region. This will enable us to capture additional construction margin while increasing project oversight" he said.

An internal Construction Risk Committee had been established to provide governance over in-house construction projects. An experienced independent adviser had been appointed to the Committee.

Outlook

Commenting on Arvida's outlook for 2019, Mr Wilson said Arvida continued to pursue a truly differentiated position in the New Zealand retirement and aged care market.

"During the year we reviewed our strategic direction, updating business goals to align with our overall organisational vision. This provided an opportunity to reflect on past and present initiatives, assessing their effectiveness and alignment with future industry dynamics.

"We have made a significant investment over the last of couple of years in bringing our model of care to life in our team culture.

"Government funding and immigration policy continues to weigh on the sector. We are active with industry bodies to ensure funding levels fairly contribute to the increased wage cost and broad access to qualified staff is maintained.

"We will continue to develop communities that are outwardly facing, helping our residents retain connection to the wider community. We want to be at the forefront of positive change and by doing so provide the best level of care for our residents," he said.

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For more information contact:
Bill McDonald, Chief Executive Officer, Arvida Group Limited
Telephone: 021-270-3669 or email: bill.mcdonald@arvida.co.nz

Jeremy Nicoll, Chief Financial Officer, Arvida Group Limited
Telephone: 021-403-665 or email: jeremy.nicoll@arvida.co.nz

About Arvida:

Arvida is one of New Zealand's largest aged care providers owning and operating 29 retirement villages located nationally. Each village operates independently under a corporate structure that supports village operations to ensure quality and consistency of service. Arvida provides almost 4,000 residents with a continuum of care that extends from independent living to full rest home, hospital and dementia-level care.

Arvida's growth strategy includes the acquisition of quality villages that meet strict acquisition criteria as well as the development of additional facilities at existing villages and targeted development of new villages in areas that are supported by a strong demographic and economic profile.

Arvida is listed on the NZX (NZX: ARV).

Website: www.arvida.co.nz