



NZX RELEASE

ARVIDA REPORTS NPAT OF \$42 MILLION

24 November 2020 – NZX listed retirement village and aged care operator Arvida Group Limited reported unaudited net profit of \$41.8 million for the six months ended 30 September 2020.

IFRS profit included a fair value movement on investment property of \$37.7 million relative to \$35.3 million in the first half of the prior year. The fair value increase reflected an improvement in unit prices and the partial reversal of Covid-related assumptions applied at year end by the independent valuers CBRE Limited and Jones Lang LaSalle Limited.

Arvida CEO Mr Bill McDonald said the residential property market had rebounded strongly from the uncertain outlook prevailing at year end and led to a revision of key assumptions applied by the independent valuers in a desktop review of our retirement villages.

Business Performance

Strong underlying business performance was recorded with an 8% increase in revenue for the six month period to \$86.2 million and a 74% increase in operating cash flow to \$52.9 million.

Underlying Profit of \$20.5 million was reported for the period, down \$2.9 million on the \$23.4 million reported in the same period in the prior financial year. Mr McDonald said a number of Covid-related factors had impacted bottom line financial performance in the period.

“As an essential service additional costs were incurred to maintain Covid-free and safe communities for our residents. We have been successful in remaining Covid-free having had no positive cases recorded amongst our 4,750 residents or 2,600 staff.”

Bill McDonald estimated \$5 million of one-off operating costs were incurred in the April to June period. The additional costs were incurred maintaining personal protective equipment (PPE) inventory, 24-hour security, increased cleaning procedures and additional hourly rates for frontline care staff. Costs substantially normalised in July.

Government subsidies totalling \$2.0 million had been accessed, mainly through rest home relief and essential worker subsidies. A total of \$0.4 million was accessed from the Government’s wage subsidy scheme for construction and café workers. During the lockdown periods, all personnel were retained on full rates or increased rates in care centres.

Sales Activity

Arvida settled \$79.2 million sales of occupation right agreements during the period, comprising \$42.5 million of resales and \$36.7 million of new sales.

The first six weeks of the period was impacted by the Covid-19 lockdown. Through levels 4 and 3 normal sales and marketing tasks, such as co-ordinating open homes and conducting settlements, were not possible. At level 2 and as restrictions were gradually removed, the sales team was once again able to operate. The level of sales enquiry and activity steadily increased as restrictions were removed.

“The average age of people entering a village is in the vicinity of 80 years. For many, the coronavirus pandemic has brought forward decision making about their next home and ensuring it meets their needs. We are seeing increased sales enquiry for our safe communities and from those looking to stay connected – or becoming more connected – as a key part to healthy living in their retirement.”

Average resale prices were 3% above the pricing independently assessed by our valuers at 31 March 2020, highlighting sustained momentum in the property market. This continued to support strong margins across the portfolio.

Financial Position

The total value of Arvida's assets grew to \$2.0 billion, up \$118 million from the start of the 2021 financial year. This primarily reflected the fair value increase of the villages and development capital expenditure invested over the period.

In April 2020, Arvida increased its bank facility limit to \$475 million to secure additional development funding capacity. Net bank debt at 30 September 2020 was \$350 million, maintaining a prudent gearing level of 32% measured on a net debt to net debt plus equity basis.

Arvida is exploring a potential retail bond issue to replace a portion of its bank debt and provide diversity of funding and tenor. The timing of a potential issue is subject to market conditions.

Development Milestones

A total of 48 new units were delivered in the first half across four sites.

Mr McDonald confirmed Arvida was on track to deliver a further 199 new units in the second half and 247 new units for the year. This target is above the development guidance provided of constructing over 200 new units annually. Some construction delays and supply line disruption had resulted from lockdown measures, but no impact is expected to the development programme at the current alert level.

The future development pipeline includes 1,574 units and beds with over 200 new units to be delivered annually by Arvida in coming financial years.

Development Updates

Construction of new care suite facilities at Aria Bay in Auckland and Copper Crest in Tauranga are progressing to early new year target completion dates. A pre-launch marketing campaign held at Copper Crest had been very well received by residents and has led to receipt of transfer applications already.

"Provision of care is core to our proposition. It provides residents with the confidence that care services are available at a flexible needs-based level as they age."

"All our care centres have three or four-year Ministry of Health certification, with 21 of 25 attaining the gold-standard four-year certification. Total care occupancy was 95% across all care centres at September, and in our latest survey of staff 95% confirmed they were determined to give their best effort at work each day. This is key to the high quality of care we provide."

Similar care suite developments are planned for Bethlehem Shores, Lauriston Park, Queenstown Country Club and Waimea Plains.

Development activity at the villages acquired in FY20 continued to expand with 37 new villas targeted for FY21 delivery across Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club. Sales enquiry continues to be very strong for these retirement villages.

Mr McDonald announced construction of the next stage of 20 villas at Waimea Plains had commenced, adding to the 63 villas already completed. Only 13 of the 25 villas released late September remain available for sale.

"Waimea Plains is our first greenfield development and is proving to be incredibly successful with the local Richmond community. We partnered with local and international architects to design a fresh approach to retirement living that focuses on an outward-looking, interactive layout to create vibrancy and connection into the wider community."

"Recently we received resource consents for our second greenfield development to commence in Kerikeri. We are excited to bring this same innovative design concept to a new community," said McDonald.

Plans at Arvida's new village in Kerikeri, which has been named Te Puna Waiora, include building 200 villas, a care centre and multiple community facilities. Construction of the first stage of 16 villas has commenced.

Index Inclusion

Arvida has expanded rapidly since listing in December 2014 to become one of New Zealand's larger owner, operator and developers of aged care and retirement living. Arvida is a member of the NZX 50 Index, the FTSE Small Cap Index and was recently included in the Refinitiv Top 100 Diversity & Inclusion Index. This Index ranks over 7,000 companies globally and identifies the top 100 publicly traded companies with the most diverse and inclusive workplaces. Arvida was the only New Zealand company to be included in the Index, joining many well-known global companies and brands such as Vodafone, Sony, Singapore Airlines, Johnson & Johnson and Coca Cola.

On 1 December 2020 Arvida will also be added to the MSCI New Zealand Index.

Dividend

In August, the Board set the level of the first quarter dividend on the expected earnings for the first half of the financial year. It was anticipated the first half would include a period of disruption to business operations and sales activities.

A dividend of 1.20 cents per share was declared for the September quarter to be paid on 10 December 2020, bringing the total dividend for the half to 2.40 cents per share. The dividend payout for the first half represented 63% of Underlying Profit, in line with Arvida's dividend distribution policy.

Dividend guidance for the second half will be provided in February.

Outlook

Covid-19 has presented significant risk for Arvida and the aged care sector broadly. The commitment and contributions of staff over the last six months has enabled the safe navigation of the coronavirus pandemic. The Board wishes to recognise the very important contribution of all staff in achieving this outcome.

Additional costs have been incurred in continuing to operate as an essential service. Normal business activities including sales and construction activities have been disrupted through periods where national containment restrictions were in place. Outside of these periods, business operations have substantially normalised.

While the Board continues to see significant economic uncertainty in the short term, continued buoyancy in the property market, high care occupancy and an underlying positive organisational culture position Arvida well for continued financial performance.

Summary Financial Performance

| | Six months to 30 Sept 2020 Unaudited | Six months to 30 Sept 2020 Unaudited | 12 months to 31 March 2020 Audited |
|---------------------------------------|--|--|--|
| Total revenue (\$M) | 86.2 | 79.6 | 163.7 |
| Fair value movements (\$M) | 36.3 | 33.4 | 20.0 |
| Net profit after tax (IFRS) (\$M) | 41.8 | 45.0 | 42.6 |
| Underlying profit (\$M) | 20.5 | 23.4 | 51.7 |
| Net operating cash flow (\$M) | 52.9 | 30.4 | 102.9 |
| Total assets (\$M) | 2,024 | 1,842 | 1,907 |
| Underlying profit per share (cents) | 3.8 | 5.0 | 10.2 |
| Dividend per share (cents) | 2.4 | 2.9 | 5.8 |
| Net tangible assets per share (cents) | 132 | 125 | 127 |

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About Arvida:

Arvida is one of New Zealand's largest aged care providers owning and operating 33 retirement villages located nationally. Each village operates independently under a corporate structure that supports village operations to ensure quality and consistency of service. Arvida has over 4,750 residents and provides a range of accommodation across 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