

# Presentation of Half Year Results

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Arvida Group Limited  
For the six months ended  
30 September 2021



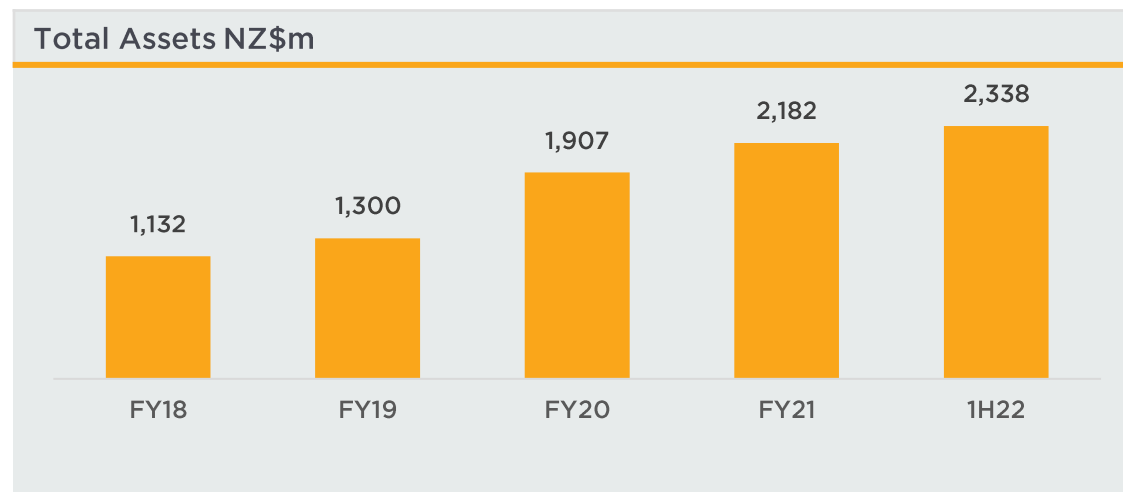
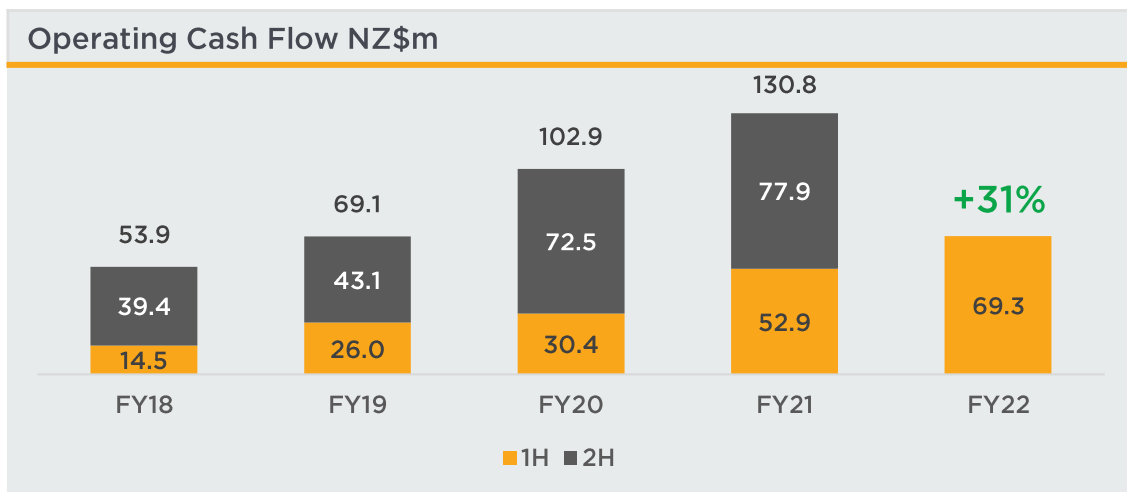
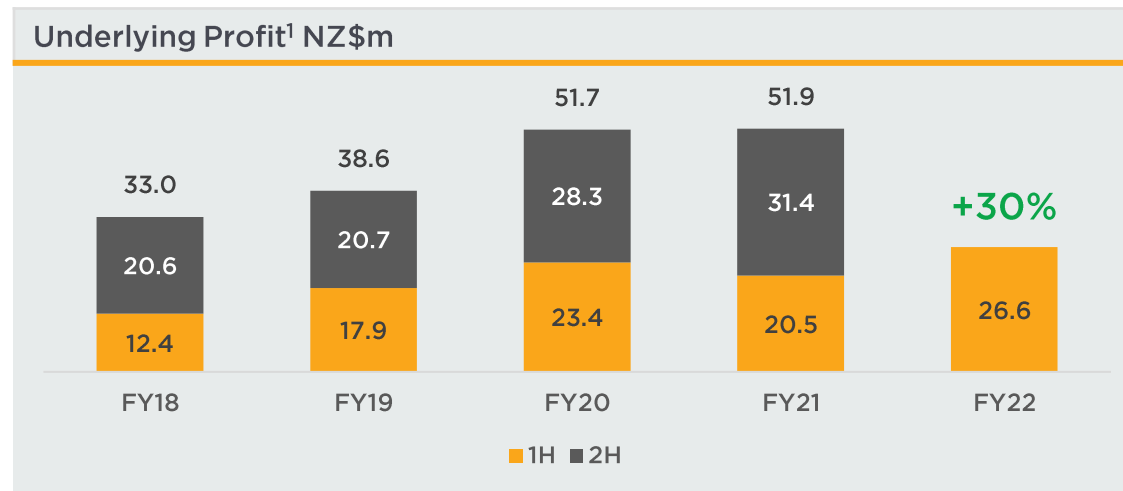
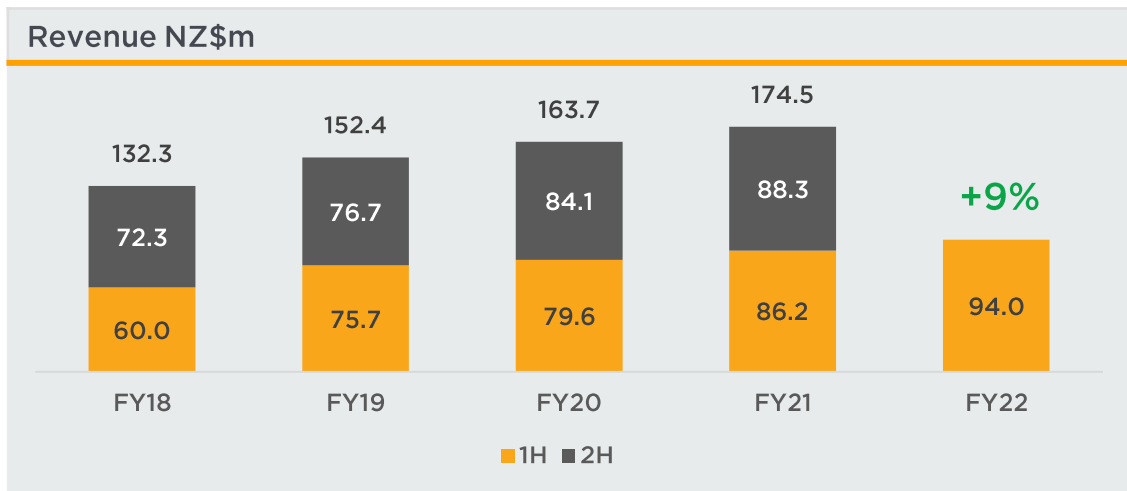
# Continued business performance throughout pandemic

- Net profit after tax of \$75.5m; up \$33.7m on 1H21 with improvement of fair value of investment property
- Underlying Profit<sup>1</sup> of \$26.6m; up \$6.1m on prior corresponding period
- Costs from NZ's Covid-19 response again included in first half performance
- Assets now \$2.3b on improved valuations, firm property market and increased development activity
- Arena Living acquisition completed 15 Nov, increasing total assets to over \$3b and embedded value to approx. \$925m
- Gearing reduced to 24% following Arena Living completion, and at low end of target range of 25% to 35%
- Two sites announced for future development – Waikanae Beach and Te Awamutu
- Construction programme delivered 68 new units in first half, on target to deliver 200+ for FY22
- 253 sales settled despite disruption from Covid-19, includes a record 120 new sale settlements for the first year
- Gross proceeds from sales increased \$48.8m on prior corresponding period to \$128.0m
- 52% lift in gains to \$23.3m on increased sales activity, development margin up at 17%
- Continued high care occupancy at 94% for the half year
- 20 or 83% of care centres have gold standard 4 year Ministry certification
- Staff engagement indexed at 85% with 95% confirming they are determined to give their best everyday
- A conditional agreement was entered to divest the 3 Rangiora villages
- Unimputed interim dividend of 2.5 cents per share declared, 1 December record date

1. Underlying Profit is a non-GAAP unaudited financial measure and differs from NZ IFRS net profit after tax. A reconciliation to Reported Net Profit after Tax is provided in the financial section of this presentation and definition appended.



# A track record of underlying financial performance



1. Underlying Profit is a non-GAAP unaudited financial measure and differs from NZ IFRS net profit after tax. A reconciliation to Reported Net Profit after Tax is provided in the financial section of this presentation and definition appended.



# Portfolio activity added over 1,600 units

- Portfolio activity included the divestment of Maples, lease of Lake Wakatipu Care Centre, greenfield sites announced at Waikanae Beach and Te Awamutu and delivery of 68 new units
- The acquisition of the Arena Living portfolio was settled in November. A conditional agreement to divest the 3 Rangiora villages was entered which will see the portfolio reduce by 18 units and 109 beds on completion

	Assisted Living		Independent Living	Total	Change
	Beds	SAs/Care Suite	ILUs		
North Island	861	426	1,452	2,739	+38
<i>Arena Living</i>	-	58	988	1,046	+1,046
South Island	794	351	509	1,654	-12
<b>Total existing stock</b>	1,655	835	2,949	5,439	+1,072
Brownfield	-	354	460	814	-35
<i>Arena Living</i>	-	113	209	322	+322
Greenfield	-	308	617	925	+450
<b>Development pipeline<sup>2</sup></b>	-	775	1,286	2,061	+737
Decommissions <sup>2</sup>	(93)	(58)	(71)	(222)	+129
<b>Total built</b>	1,562	1,552	4,164	7,278	+1,680
Characteristics:	Standard (govt/privately funded) & PAC (premium charge) beds	Subject to ORA with DMF structure; care services delivered	Subject to ORA with DMF structure; weekly village levies and other service fees	Current portfolio is 46% needs-based accomm.	

1. Subject to final master planning and Board approvals.

2. Portfolio metrics include Village at the Park in which Arvida has a 50% interest and Arena Living. No account has been made for the sale of the three Rangiora villages that would occur on completion of the conditional agreement.



# Overview of Arvida following Arena completion

- One of New Zealand's larger owners and operators of aged care and retirement living

## RESIDENTS

6,100+

Residents living with Arvida

+48/+43

Village & care resident net promoter score

83yrs

Average age of independent resident

## PEOPLE

2,700+

Members in the Arvida team

85%

Staff engagement index

94%

Care team fully vaccinated at 20 Nov

## CARE

83%

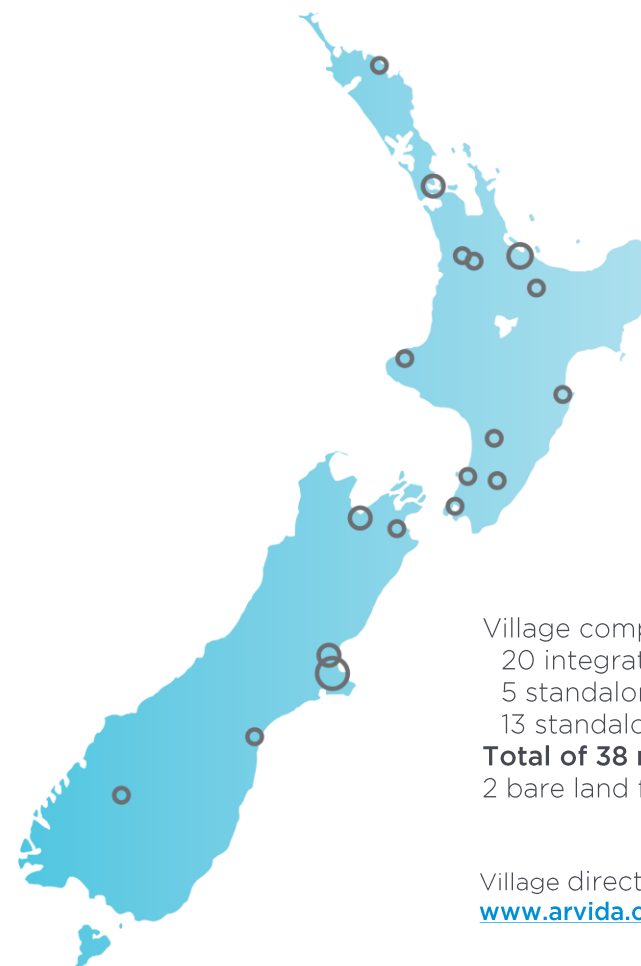
Gold standard four year Ministry of Health certification<sup>2</sup>

46%

Needs-based proportion of portfolio

94%

Average care centre occupancy



Village composition:  
 20 integrated sites  
 5 standalone care centres  
 13 standalone retirement villages  
**Total of 38 retirement communities**  
 2 bare land for future development

Village directory:  
[www.arvida.co.nz](http://www.arvida.co.nz)

1. Portfolio metrics include Village at the Park in which Arvida has a 50% interest and Arena Living. No account has been made for the sale of the three Rangiora villages that would occur on completion of the conditional agreement.  
 2. Excludes Copper Crest and Lake Wakatipu Care Centre with provisional audits as a new build / service.



# DEVELOPMENT ACTIVITY

Waimea Plains Stage One  
8ha Richmond



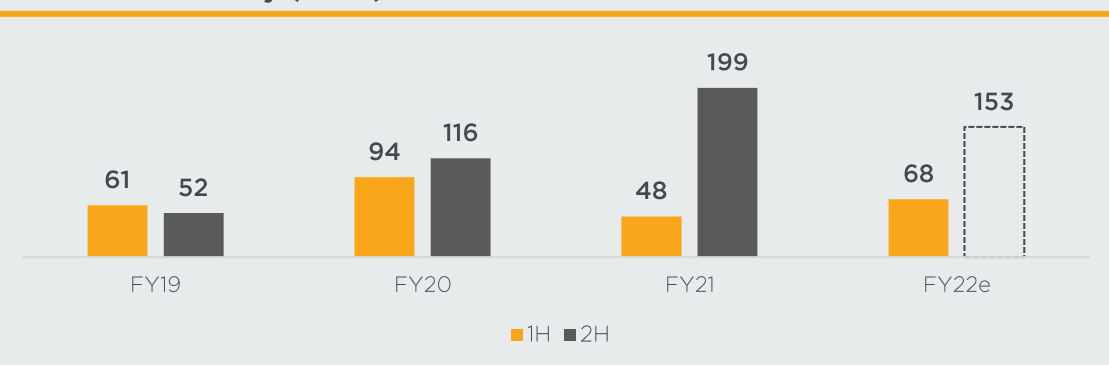
# Development tracking to FY22 delivery of 200+ units

New Unit Delivery	1H		2H			FY22e
	Villa	Av. \$000	Villa	SA	CS	Total
Te Puna Wairoa	16	\$654	19	-	-	35
Bethlehem CC	-	-	2	-	-	2
Copper Crest	2	\$805	-	-	-	2
Bethlehem Shores	8	\$1,028	16	-	-	24
Lauriston Park	-	-	15	-	-	15
Glenbrae	4	\$470	8	-	-	12
Village at the Park	8	\$985	3	-	-	11
Waimea Plains	20	\$677	37	-	-	57
Rhodes on Cashmere	-	-	-	2	35	37
Queenstown CC	10	\$1,444	16	-	-	26
	68	\$853	116	2	35	221

## Commentary

- A total of 68 units delivered in 1H across 7 sites, all units delivered were villas:
  - High demand continues with only 5 units delivered 1H still available for sale
- All construction activity paused through the August level 4 lockdown period, recommencing again at level 3
- The extended level 3 setting in Auckland & Waikato has disrupted some on-site construction activity, but no impact is expected on the current development programme
  - Development at Lauriston Park, Cambridge remains on track for 2H delivery
  - We expect stock levels to be higher at FY22 with completion dates now being phased closer to March
  - 64 unsold new units, excluding care suites
- Expect to deliver 153 units in 2H and a total of 221 units for FY22, in line with meeting target delivery guidance of 200+ new units
- Development activity continues to expand at greenfield sites with 92 new villas targeted for FY22 delivery across Te Puna Waiora and Waimea Plains. Sales enquiry continues to be strong for these villages supporting the roll-out of further villas and amenity
- Procurement of construction products well placed, market reports show expected build cost inflation of around 5-6% for FY22. Building product suppliers have been protective to date but increased costs will be passed on in 2H. Will be offset by higher sale prices.

## New Unit Delivery (units)





# Sales of 1H deliveries progressing well



**Te Puna Waiora, Kerikeri** | 16 villas (4 sales settled 1H, 4 sales settled 2H to date, 8 contracted)



**Bethlehem Shores, Tauranga** | 8 villas (5 sales settled 1H, 3 sales settled 2H)



**Glenbrae, Rotorua** | 4 duplex villas (3 settled 1H, 1 to sell)



**Village at the Park, Wellington** | 8 villas (1 sale settled 1H, 2 sales settled 2H to date, 5 contracted)



**Waimea Plains, Richmond** | 20 villas (19 sales settled 1H, 1 villa contracted)



**Queenstown Country Club** | 10 villas (4 sales settled 1H, 1 sale settled 2H to date, 1 contracted, 4 to sell)



# Development at Te Puna Waiora, Kerikeri



- Stage 1 of 16 villas delivered in July 2021, 16 units sold/under contract
- Stage 2 of 19 villas due March 2021
- Master plan provides for 200 villas, 80 suite care centre and resident & community amenity
- Site spread over 27ha
- Villa typography: 120-150 sqm, prices \$600k-\$950k



# Development at Waimea Plains, Richmond



- Development continues at pace with strong sales enquiry
- 20 villas delivered in May, 20 sold
- Work in progress on next stage of 42 villas (37 villas due for delivery in 2H with half presold)
- Planning for construction of Living Well centre for community integration being advanced



# Development at Bethlehem Shores, Tauranga



- Construction of stage 5 comprising 59 villas has commenced and is progressing well with 16 villas due for delivery in 2H
- Bulk earthworks on the remainder of the site also progressing
- Design of the care and apartment building is advanced with construction expected to commence in FY23



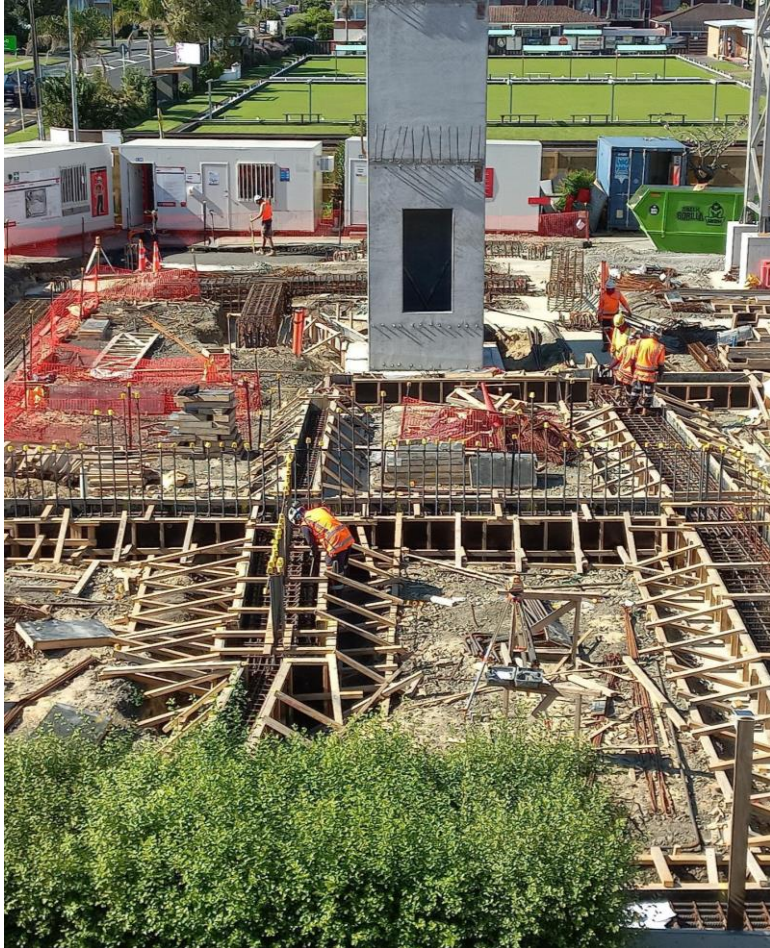
# Development at Lauriston Park, Cambridge



- Construction of 15 villa/townhouses tracking to 2H delivery
- Slab down for the construction of 63 care suite centre
- Project managed by Arvida construction-management team post completion of Copper Crest care & apartment centre



## Other key developments in current programme



**Aria Bay, Auckland** | Construction of the next stage of 57 apartments & common amenity progressing well, completion FY23



**Rhodes on Cashmere, Christchurch** | Comprises 35 suite care centre, tracking to 2H completion



**Queenstown Country Club** | 1,650 sqm Warren Mahoney designed resident clubhouse due for 2H completion

# Two greenfield sites for future development



**Waikanae Beach** | Provides for a broad acre development across 9 ha with more than 180 villas, 40 serviced apartments, 60 suite care centre and resident & community amenity. Land adjoins golf course and planned residential subdivision.



**Te Awamutu** | Provides for development across 9 ha, comprising over 150 independent living villas, townhouses, a care centre and range of resident amenity & community facilities. Land adjoins planned residential subdivision.



# Development pipeline at 2,061 units

- Pipeline updated for 2 greenfield sites and identified development opportunities in the Arena Living portfolio (which is subject to further scoping to be conducted as part of remedial works master planning)

BROWNFIELD DEVELOPMENT		UNITS	DESIGN	CONSENTING	CONSTRUCTION	SALES	GREENFIELD DEVELOPMENT		UNITS	DESIGN	CONSENTING	CONSTRUCTION	SALES
Bethlehem Shores	175	Villas, Apartments & Care	→	→	→	→	Waimea Plains	175	Villas, Apartments & Care	→	→	→	→
Queenstown Country Club	219	Villas, Apartments & Care	→	→	→	→	Te Puna Waiora	264	Villas, Apartments & Care	→	→	→	
Bethlehem Country Club	2	Apartments	→	→	→		Te Awamutu	206	Villas, Apartments & Care	→			
Glenbrae	8	Care & Apartments	→	→	→		Waikanae Beach	280	Villas, Apartments & Care	→			
Rhodes on Cashmere	37	Care & Apartments	→	→	→		<b>TOTAL GREENFIELD</b>	<b>925</b>					
Aria Bay	57	Care & Apartments	→	→	→								
Village at the Park	17	Villas	→	→	→		<b>TOTAL UNITS</b>	<b>2,061</b>					
Lauriston Park	78	Care & Apartments	→	→	→								
Arena Living	322	Care & Apartments	→	→	→								
Lansdowne Park	50	Villas	→	→									
Cascades	80	Care & Apartments	→	→									
Aria Park	60	Care & Apartments	→	→									
Oakwoods	31	Apartments	→										
<b>TOTAL BROWNFIELD</b>	<b>1,136</b>												



# PORTFOLIO ACTIVITY

Peninsula Club,  
Arena Living village acquired



# Acquired Arena Living portfolio of six villages

- On 15 October, we announced a conditional contract to acquired 100% of Arena Living
- Purchase price at \$345m represents 12% discount to 30 June 2021 valuation of \$394m
- Transaction was off-market from vendors that included funds managed or advised by Blackstone
- Fully underwritten \$155m placement and \$175m rights offer was successfully completed to part fund the acquisition
- Settlement occurred on 15 November

## Key highlights:

- Portfolio of six established retirement villages
- Comprises an aggregate of 1,046 units: 648 villas, 340 apartments and 58 serviced apartments
- Predominantly large scale broad-acre villages – challenging to replicate scale and typology mix in these prime Auckland and Tauranga locations
- Set across a combined 48 hectares
- Low density site coverage offers future infill and brownfield development opportunities
- Mt Eden village identified as a greenfield development opportunity for a 69 apartment boutique retirement residence
- Historical weather tightness issues identified by the Vendor and progressively addressed





# Strategic rationale for Arena Living acquisition

## Strategic rationale:

- A unique opportunity to acquire large land holdings in prime retirement living growth locations
- Reweights Arvida's portfolio to include a greater Auckland presence
- Adds to future development programme with the opportunity to build 300+ units in high value locations
- Enables our care suite strategy to be rolled out in Auckland with none of the villages currently offering residents a continuum
- Villages are in proximity to existing Arvida care centres allowing preferential access to be offered and underpinning existing care centre occupancy
- Provides a platform to launch Arvida Good Friends in Auckland and Tauranga
- Ability to capture the high embedded value in portfolio and generate strong future cash flow as villages continue to mature
- Immediately earnings accretive on a proforma basis, but expected to continue to contribute double digit earnings growth as embedded value is realised
- Ability to reset balance sheet gearing to the low end of Board's target gearing range providing the flexibility to continue with accelerated greenfield development programme

## Next steps:

- Integration of the villages over the next 3-6 months
- Scoping and master planning of the various development opportunities at each of the sites
- Planning for launch of Arvida Good Friends in Auckland in FY23



# FINANCIALS



# Covid-19 and our response

- NZ entered its second level 4 national lockdown<sup>1</sup> on 17 August 2021:
  - Auckland remained at level 4 until 21 September, while the rest of NZ moved to level 3 on 31 August

## Sales activities

- All sales activity effectively paused in level 4 lockdown as legal documentation not able to be completed and incoming residents not able to move in
- Marketing was put on hold and open homes not possible
- Sales and marketing activity resumed at level 3 under adjusted H&S protocols
- Outside of Auckland, momentum in enquiry and sales applications returned late September and into October
- In Auckland, paused sell down on Aria Bay dementia care suites until at level 2. Low stock levels in Auckland has meant extended lockdown has had no significant impact
- Restricted access to care centres affected serviced apartment sales

## Development activities

- All construction activity paused through the level 4 lockdown
- On site activity recommenced at level 3 under adjusted H&S requirements
- Disruption to construction activities has resulted in some deferral of deliveries, although on track to delivery 200+ units
- Some disruption in building material supply lines evident, but impact is expected to be immaterial to target FY22 completions
- Elevated construction costs persisting

## Operations & finances

- \$2 per hour of additional pay to front line care staff during level 4 lockdown
- Employee leave entitlement higher with lower levels of leave taken
- Additional staff costs to cover no tolerance sick policy and stand downs
- Estimated \$1.5m of employee costs directly incurred to ensure business continued to operate as an essential service
- No Government relief subsidy for the sector and we did not claim the wage subsidy
- Employee costs continue to be at higher than historical levels reflecting Covid staffing and shortage of nurses, likely to persist through second half
- Some additional costs incurred for surveillance testing, security, cleaning, PPE
- Lower occupancy through level 4 lockdown and level 3 with restricted new admissions

1. Level 4 lockdown is NZ's most restrictive Covid setting ([NZ Alert Level information](#)).



# Reported profit (IFRS)

NZ\$m	1H22	1H21	YoY	FY21
Care & village service fees	70.9	65.9	8%	133.6
Deferred management fees	19.4	15.5	25%	33.5
Other revenue	3.7	4.8	(23%)	7.3
<b>Total revenue</b>	<b>94.0</b>	<b>86.2</b>	<b>9%</b>	<b>174.5</b>
Changes in fair values	69.6	36.3	92%	121.3
Share of profit arising from JV	3.3	2.0	64%	6.5
<b>Total income</b>	<b>166.8</b>	<b>124.5</b>	<b>34%</b>	<b>302.3</b>
Operating expenses	(83.7)	(75.4)	11%	(152.8)
Depreciation	(3.3)	(3.0)	8%	(6.7)
<b>Total expenses</b>	<b>(87.0)</b>	<b>(78.4)</b>	<b>11%</b>	<b>(159.5)</b>
<b>Operating profit</b>	<b>79.8</b>	<b>46.1</b>	<b>73%</b>	<b>142.8</b>
Financing costs	(3.8)	(2.9)	32%	(6.0)
Impairment of goodwill	0.0	0.0	<i>nm</i>	(3.7)
One-off items	(0.1)	(0.0)	179%	(0.1)
<b>Profit before income tax</b>	<b>75.9</b>	<b>43.2</b>	<b>76%</b>	<b>133.0</b>
Income taxation	(0.4)	(1.4)	(71%)	(1.9)
<b>Net profit after tax</b>	<b>75.5</b>	<b>41.8</b>	<b>80%</b>	<b>131.1</b>

## Commentary

- Revenue grew 9% to \$94.0m on continuing core financial performance
  - DMF revenue was up 25% which reflected units added through development and acquisition, and resale of units at higher prices
- A decrease in other revenue reflected no Government rest home relief subsidy provided in the period
- Unrealised movements in fair value of investment property was \$69.1m, up on the prior period. Current unit pricing increased 4% over 1H (excluding addition of new units)
- Five largest increases in fair value:
  - Copper Crest: +\$13.7m from the sell down of new stock and 4% increase in current values for existing units
  - Mary Doyle: +\$9.9m due to decrease in discount rate of 0.5% and 7% increase in current values for existing units
  - Waimea Plains: +\$7.7m from delivery and sell down of new units and 10% increase in current values for existing units
  - Queenstown Country Club: +\$7.3m from the delivery and sell down of new units and 2% increase in current values for existing units
  - Bethlehem Shores: +\$6.2m from the delivery and sell down of new units and 3% increase in average values for existing units
- Operating expenses increased 11% compared to 1H21 reflecting:
  - Commissioning two new care centres (Aria Bay and Copper Crest), addition of Arvida Good Friends team, higher property costs to cover insurance and rates, lower than normal repairs and maintenance in 1H21, and higher marketing costs
  - From 1 July 2021, the last legislated increase in the pay scale for care givers was implemented, which was funded through the daily bed rate
  - Supported front-line teams through lockdown again with \$2 per hour bonus and roster covering
  - Competition for registered nurses has resulted in increases to their pay rates above labour cost inflation
- Higher financing costs due to the completion of the large Aria Bay and Copper Crest projects and higher levels of debt overall



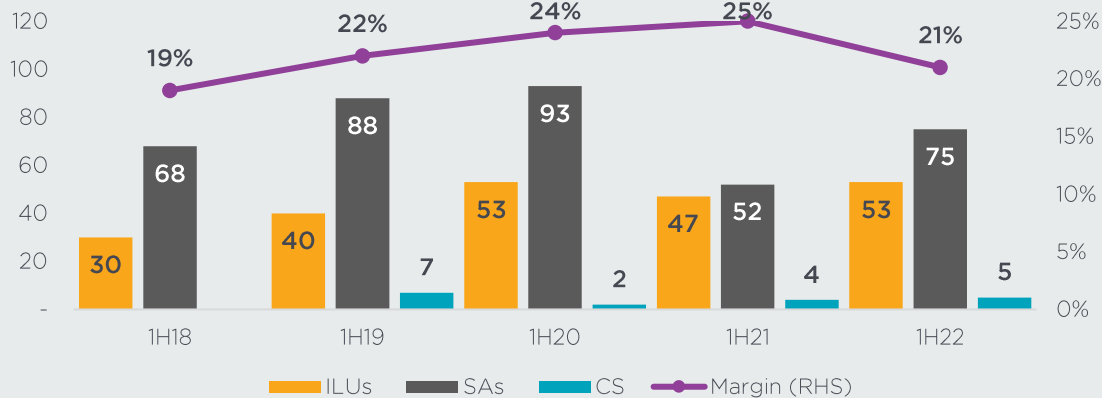
# ORA resales

Resales Analysis <sup>1</sup>	1H22	1H21	YoY	FY21
Villas / apartments	53	47	13%	121
Serviced apartments	75	52	44%	140
Care suites	5	4	25%	6
<b>Total resales of ORAs</b>	<b>133</b>	<b>103</b>	<b>29%</b>	<b>267</b>
Gross proceeds \$m	58.9	42.5	39%	118.0
<b>Av. value per resale \$000</b>	<b>443</b>	<b>412</b>	<b>7%</b>	<b>442</b>
Resale gains \$m	11.9	10.3	16%	26.0
Resale margin %	21%	25%		23%

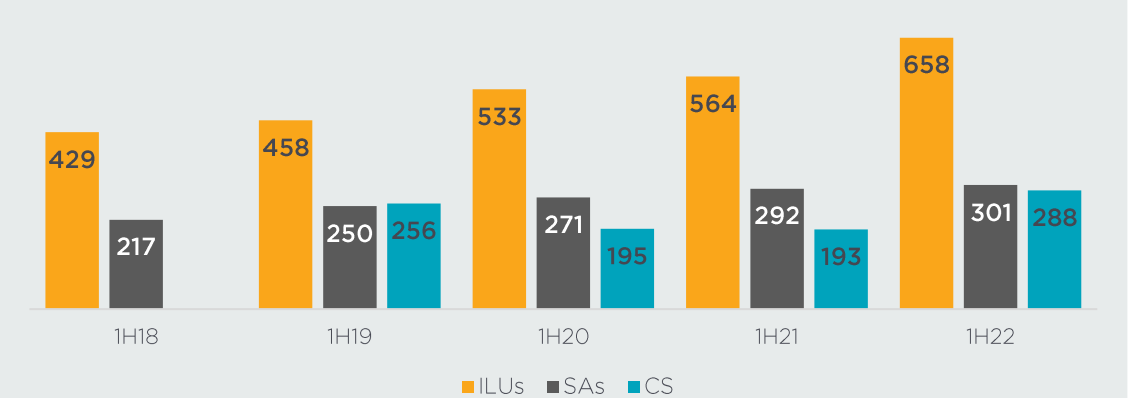
## Commentary

- Total resales of 133 units, up 29% on 1H21 mainly on higher serviced apartment resales although lower than expected resales volumes due to restricted access during lockdown periods again
- Occupancy remains high, with less than 90 units available for resale
- Gross proceeds of \$58.9m, with average value per resale up 7% to \$443k with serviced apartment resale volumes
- Realised \$11.9m of resale gains on lower average resale margins of 21%, reflecting a lower margin in Q1 of 17%. The margin reverted to expectation in Q2 with an overall 24% margin
- Resale prices at 2% above the unit pricing assumed in 31 March 2021 independent valuations
- DMF realised on resales was \$7.4m

## Resale Volumes (units) and Margins (%)



## Average Resale Prices (\$000)



1. The figures above include Village at the Park, which is 50% owned by Arvida. The "Value \$m" line includes 100% of the value and the "Development gain \$m" line includes 50% of gains. A table is appended that shows Village at the Park sales.



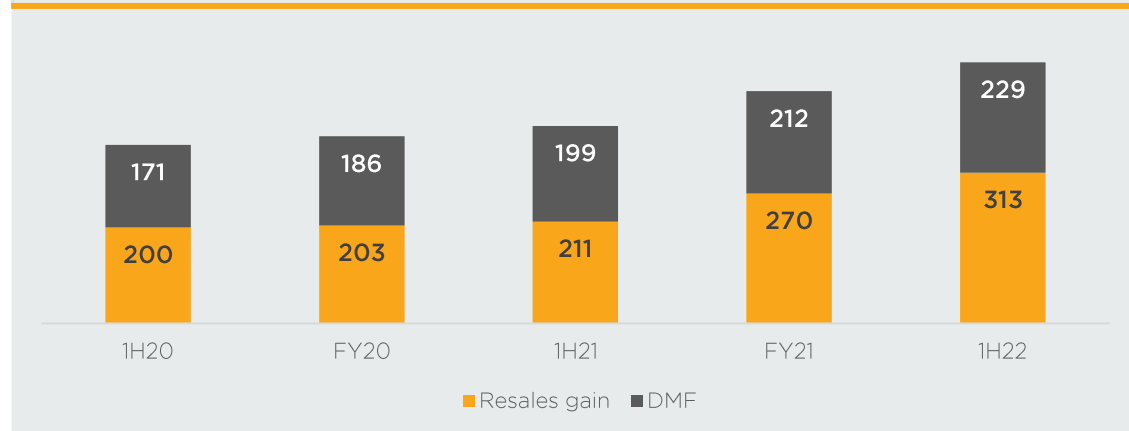
# Embedded value

NZ\$m	1H22	1H21	YoY	FY21
Resales gain	312.9	211.3	50%	269.9
DMF	228.8	198.8	13%	212.5
<b>Total</b>	<b>541.7</b>	<b>410.0</b>	<b>32%</b>	<b>482.4</b>

## Commentary

- Total embedded value at \$542m having increased from \$410m at 1H21
- Embedded value comprised of:
  - \$313m resale gains
  - \$229m deferred management fees
- Embedded value per unit is now \$236k, up from \$184k at 1H21 and provides a strong platform for future earnings growth
- Main driver of embedded value was the 4% increase in current unit prices in the half (excluding new stock)
- Arena Living embedded value assessed at \$385m at 30 June 2021, implying a post acquisition total embedded value of approximately \$925m for the group

## Embedded Value (NZ\$m)



## \$000 per unit

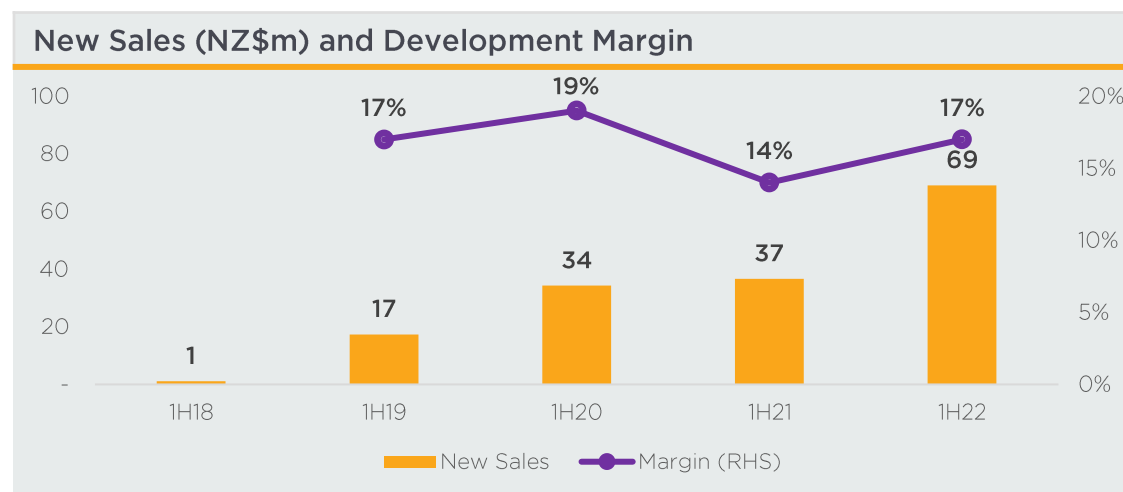
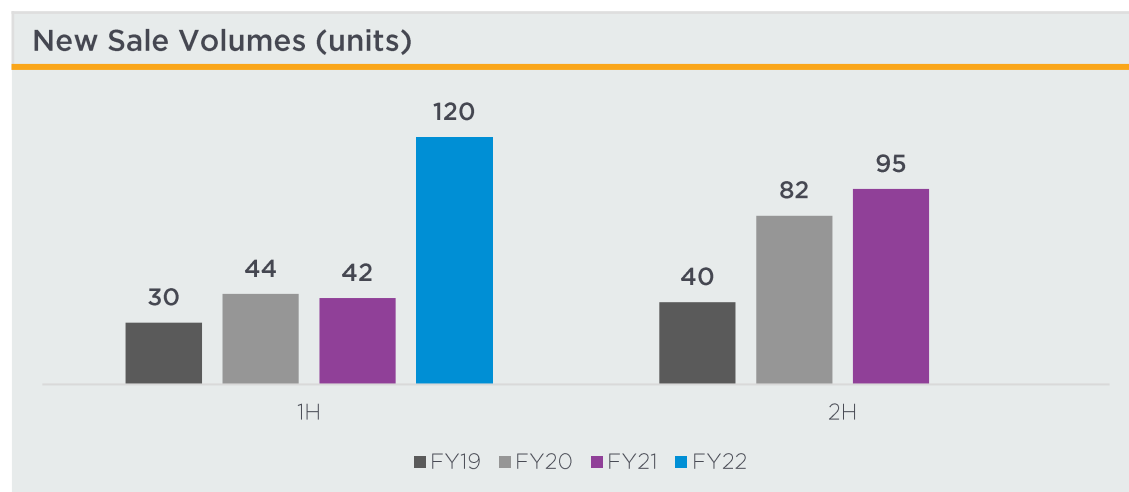
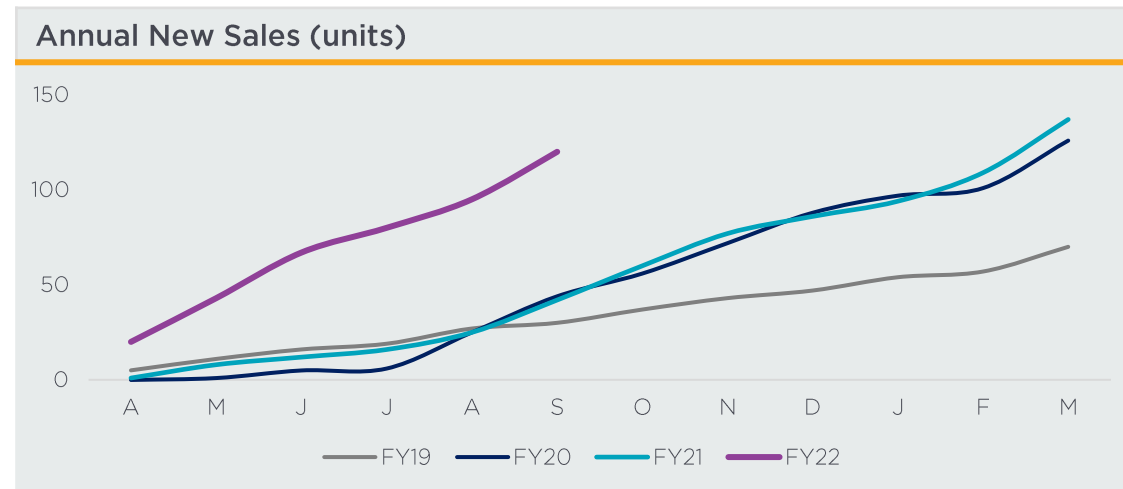
Average Embedded Value	ILUs	SAs	Total
Resales gain	165	39	137
DMF	113	48	99
<b>Total</b>	<b>278</b>	<b>87</b>	<b>236</b>

1. Embedded Value ("EV") per unit is an internal calculation based on the data in the independent valuation reports for all occupied units: Resale Gain EV is calculated by reference to the current unit price less the ingoing unit price less any capital gain sharing; DMF EV is calculated by reference to the contractual amount owed at valuation date. Embedded Value includes Arvida's 50% interest in Village at the Park.



# Strong half for new unit ORA sales

Sales Analysis <sup>1</sup>	1H22	1H21	YoY	FY21
ILUs	75	41	83%	126
Serviced apartments	6	1	500%	2
Care suites	39	-	<i>nm</i>	9
<b>Total new units sold</b>	<b>120</b>	<b>42</b>	<b>186%</b>	<b>137</b>
Value \$m	69.1	36.7	88%	109.4
<b>Av. value per new sale \$000</b>	<b>576</b>	<b>874</b>	<b>(34%)</b>	<b>799</b>
Development gain \$m	11.4	5.0	128%	16.3
Adj. development margin %	17%	14%		15%



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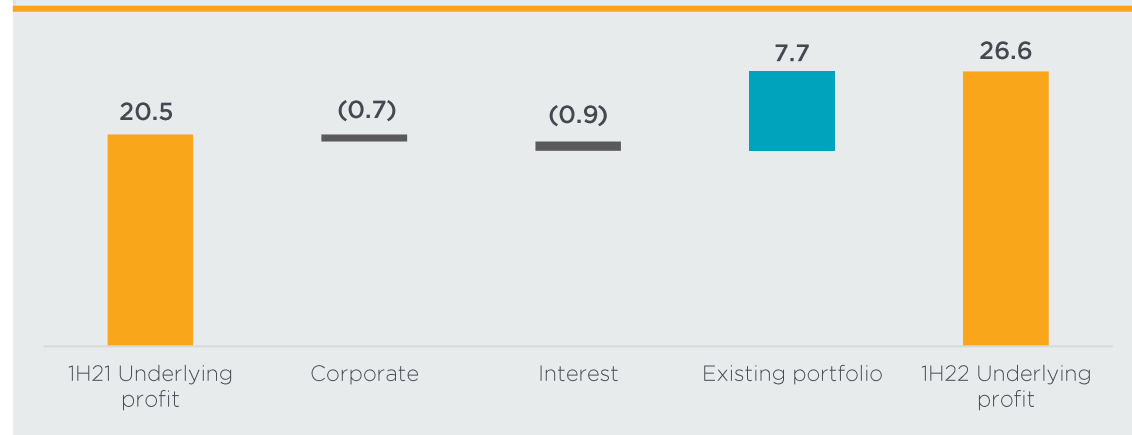
# Underlying profit reconciliation

NZ\$m	1H22	1H21	YoY	FY21
Net profit after tax	75.5	41.8	80%	131.1
Change in fair values	(72.8)	(38.0)	92%	(127.4)
Deferred tax	0.5	1.4	(64%)	2.0
Impairment of goodwill	0.0	0.0	<i>nm</i>	3.7
One-off costs <sup>1</sup>	0.1	0.0	179%	0.1
Gains on resales	11.9	10.3	16%	26.0
Gain on sale of new units	11.4	5.0	129%	16.3
<b>Underlying profit<sup>2</sup></b>	<b>26.6</b>	<b>20.5</b>	<b>30%</b>	<b>51.9</b>
Annuity EBITDA	22.3	21.5	4%	48.3

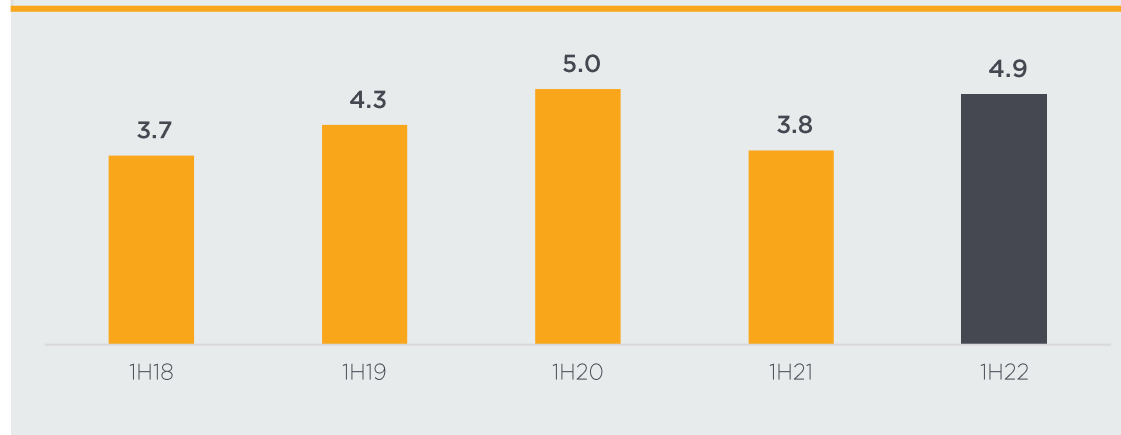
## Commentary

- Underlying Profit increased \$6.1m to \$26.6m which again included additional expenditure, Covid-19 operational costs and disrupted sales activity from the level 4 lockdown in August
- Disruption to sales activity had an impact on reported settlement gains
- Despite disruption, reported strong gains on settlements particularly new sale settlements
- Estimated \$3m impact from deferred sales and higher employee costs
- Annuity EBITDA 4% higher on the prior corresponding period to \$22.3m
- Lift in underlying EPS to 4.9 per share for period

## Movements in Underlying Profit (NZ\$m)



## Underlying Profit (cents per share)



1. Non-operating one-off items relating to transactional activity.

2. Underlying Profit is a non-GAAP unaudited financial measure and differs from NZ IFRS net profit after tax. A definition is appended. Annuity EBITDA adds back interest and depreciation to Underlying Profit and excludes gains on sale of new units.



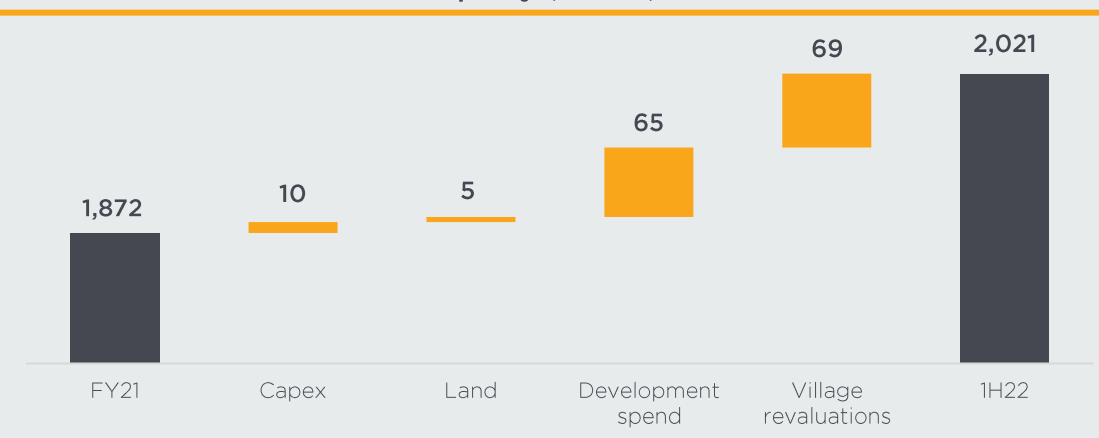
# Balance sheet

NZ\$m	1H22	FY21
Cash and cash equivalents	11.2	6.4
Property, plant and equipment	193.2	195.5
Investment property	2,020.7	1,872.0
Investment in JV	33.9	31.2
Intangibles	31.9	32.5
Other assets	46.9	44.1
<b>Total assets</b>	<b>2,337.7</b>	<b>2,181.7</b>
External debt	394.6	364.9
Residents' loans	923.4	865.9
Deferred tax liability	6.3	5.9
Other liabilities	119.8	118.6
<b>Total liabilities</b>	<b>1,444.1</b>	<b>1,355.3</b>
<b>Net assets</b>	<b>893.6</b>	<b>826.4</b>

## Commentary

- Total asset base now \$2.3b, with over \$2.0b of investment property
- The value of Investment Property increased \$149m (vs FY21) mainly as a result of \$65m of development activity and \$69m increase in fair value of villages
- Desktop valuations of retirement villages completed by CBRE and JLL

## Movements in Investment Property (NZ\$m)





# Capital structure

NZ\$m	1H22	1H21	YoY	FY21
Investment property	2,021	1,735	16%	1,872
ORA / DMF	(984)	(852)	16%	(920)
Retirement villages	1,037	883	17%	952
Care facilities	209	196	7%	209
	1,246	1,079	15%	1,161
Investment in JV	34	27	25%	32
<b>Implied value</b>	<b>1,280</b>	<b>1,106</b>	<b>16%</b>	<b>1,193</b>
Less: Net debt <sup>1</sup>	(384)	(351)	10%	(359)
<b>Net implied value</b>	<b>896</b>	<b>755</b>	<b>19%</b>	<b>834</b>
Net implied value per share	\$1.65	\$1.39		\$1.54

## Commentary

- Total net debt of \$386m includes development project work in progress of \$110m, development land of \$93m and inventory of \$113m
- Refinancing of existing facilities announced 1 October that refreshed the tenure of the three \$125m facilities to 3, 4 and 5 years
- A new facility with a limit of \$50m and a tenure of 2 years was also added
- Subsequently we added a further \$100m 2 year tranche in conjunction with the Arena Living acquisition
- Total limit of bank facilities is now \$525m with a weighted average tenure of 3.2 years
- Gearing reduced to 24% adjusting for completion of the Arena Living acquisition that occurred on 15 November
- Interest rate hedges at balance date equated to 20% of drawn debt. Hedges have weighted average maturity of 3.1 years and fixed rate of 2.2%

## Bank Debt Facilities

NZ\$m	1H22	1H21	YoY	FY21
Drawn bank debt	272.0	359.0	(24%)	242.5
Retail bond - ARV010	125.0	0.0	<i>nm</i>	125.0
Cash	(11.2)	(8.2)	37%	(6.4)
<b>Total Net Debt</b>	<b>385.8</b>	<b>350.8</b>	<b>10%</b>	<b>361.1</b>
Gearing (ND / ND + E)	30%	32%		30%

## Bank Covenants

NZ\$m	Actual	Covenant
Interest cover	2.98x	2.25x
Loan to value	33.7%	50%

1. Includes capitalised financing costs.



# Cash flows

NZ\$m	1H22	1H21	YoY	FY21
Receipts from residents for care fees and village services	72.6	72.4	0%	144.4
Residents' loans from resales	52.7	40.7	30%	102.1
Residents' loans from new sales	73.9	38.3	93%	100.7
Repayment of residents' loans	(39.6)	(22.0)	80%	(64.2)
Payments to suppliers and employees	(87.5)	(73.7)	19%	(145.4)
Financing costs	(3.4)	(2.3)	51%	(6.2)
Taxation	0.6	(0.5)	(197%)	(0.5)
<b>Net cash flow from operating activities</b>	<b>69.3</b>	<b>52.9</b>	<b>31%</b>	<b>130.8</b>
Purchase of property, plant and equipment and intangible assets	(3.1)	(2.6)	21%	(8.6)
Payments for village acquisitions	0.0	0.0	<i>nm</i>	0.0
Purchase of investment properties	(80.9)	(75.0)	8%	(140.4)
Capitalised interest paid	(2.2)	(3.1)	(32%)	(5.8)
<b>Net cash flow from investing activities</b>	<b>(86.2)</b>	<b>(80.7)</b>	<b>7%</b>	<b>(154.8)</b>
<b>Net cash flow from financing activities</b>	<b>21.7</b>	<b>31.8</b>	<b>(32%)</b>	<b>26.2</b>

Capital Expenditure NZ\$m	1H22	1H21	YoY	FY21
Acquisitions	10.1	0.4	<i>nm</i>	1.4
Purchase of furniture & fittings	2.1	1.5	53%	6.8
Development capital expenditure	64.7	71.5	(10%)	133.3
ILU refurbishment	2.7	2.2	20%	3.9
SA unit refurbishment	0.7	0.9	(22%)	1.5
Care facility refurbishment	0.5	0.4	25%	0.1
General building works	2.1	1.7	24%	3.1
Unit title buybacks	3.4	2.8	25%	4.7
Adjustment for accruals	(0.2)	(0.7)	(86%)	0.0
<b>Total capital expenditure</b>	<b>86.2</b>	<b>80.7</b>	<b>7%</b>	<b>154.8</b>
<i>Is represented by:</i>				
Purchase of prop., plant & equip.	3.1	2.5	21%	8.6
Purchase of investment property	80.9	75.0	8%	140.4
Capitalised interest	2.2	3.2	(32%)	5.8
<b>Net cash from investing activities</b>	<b>86.2</b>	<b>80.7</b>	<b>7%</b>	<b>154.8</b>



# STRATEGY AND OUTLOOK

Te Puna Waiora Villas  
27ha Kerikeri



# Our direction – Strategy pillars

## **Buying + Building Well**

Grow and expand our operations through careful selection of greenfield and brownfield development projects and existing village acquisitions that deliver long term value

## **Living Well**

Invest in our culture to deliver a truly resident-led service offering that transforms the ageing experience of our residents and future customers

## **Engaging Well**

Invest in the health and wellbeing of our communities leveraging The Attitude of Living Well and new delivery platforms to provide innovative high quality services

## **Nurturing Well**

Manage our business in a responsible and sustainable way, to help create thriving communities whilst limiting our impact on the environment



# Our direction – Strategy in action

Our Pillars	1H22 Outcomes	Mid-term Strategic Goals	Outlook
<b>Buying + Building Well</b>	<ul style="list-style-type: none"> <li>&gt; 68 new units delivered and on track to meet delivery guidance of 200+ in FY22</li> <li>&gt; 2 new greenfield sites for future development</li> <li>&gt; Development margin of 17%</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sufficient land bank to support target build rate for &gt;7 years; enhance development capacity to support target delivery of 300+ units annually</li> <li>&gt; Balanced portfolio, by location, size and type</li> <li>&gt; Combine design IP, cost reduction and sustainability to increase development margin to exceed 15%</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Market for good land remains competitive</li> <li>&gt; Target completion timeframes have not been impacted by disrupted supply lines, but pricing and continuity of materials and labour are a focus</li> <li>&gt; Residential housing market continues to outperform, although rising interest rate environment expected to have an impact</li> </ul>
<b>Living Well</b>	<ul style="list-style-type: none"> <li>&gt; Staff engagement index at 85% (FY21: 85%); 95% (FY21: 95%) confirmed determined to give their best effort at work each day</li> <li>&gt; 2 notified H&amp;S injury incidents</li> <li>&gt; 83% of care centres at 4 year certification</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Transition all villages to the Attitude of Living Well model; increasing EBITDA and lowering turnover rates</li> <li>&gt; Aligning health and safety systems to ISO 45001; focus on risk framework, controls and continuous improvements</li> <li>&gt; Gender balance in Board, SLT and VMs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sector funding model continuing to place pressure on care margins with nurse shortage becoming increasingly an issue for the sector</li> <li>&gt; Dynamic Covid environment will continue to challenge robustness of infection protocols and agility of team to react promptly</li> </ul>
<b>Engaging Well</b>	<ul style="list-style-type: none"> <li>&gt; 94% care occupancy</li> <li>&gt; Over 400 Arvida Good Friends members in Christchurch</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Quality resident-centric service provision</li> <li>&gt; Launch Arvida Good Friends in five NZ regions, greenfield projects to incorporate living well centres</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Restructure of DHB's to one national entity may affect timing of Arvida Good Friends contracts</li> <li>&gt; Integration of Arena Living residents and team progressively, will take place over the next six months</li> </ul>
<b>Nurturing Well</b>	<ul style="list-style-type: none"> <li>&gt; Carbon emissions measured and independently audited by Toitu</li> <li>&gt; 8.2% reduction in FY21 emissions</li> <li>&gt; FY21 Emissions (tCO<sub>2</sub>e)               <ul style="list-style-type: none"> <li>- Scope 1: 2,416, Scope 2: 1,573, Scope 3 (mandatory): 833</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; 20% reduction in Carbon emissions per \$M turnover by 2025; 50% reduction per \$M turnover and 40% absolute by 2030 (SBTi aligned) from FY20</li> <li>&gt; Standard applied to all new construction and refurbishments</li> <li>&gt; Delivering on time TCFD readiness</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Regulatory changes may affect how we manage our integrated business model</li> <li>&gt; Group-wide focus on elevating sustainability initiatives and identifying priorities important to us</li> </ul>



# Interim dividend & DRP

## 1H Dividend

- To date the business has continued to perform in line with expectations, taking into account the Covid impacts on cost base and sales activity
- Dividend declared for the six months ended 30 September 2021 of 2.5 cps:
  - No imputation credits attached and no supplementary dividend payable for non-resident shareholders
- The interim dividend will be paid on Wednesday, 15 December 2021. The record date for final determination of entitlements to the interim dividend is Wednesday, 1 December 2021
- The dividend policy remains 40% to 60% of underlying profit for the full year period. As previously indicated, dividend payments are likely to trend towards the bottom end of this range given the growth opportunities present for the business at this time

## Dividend reinvestment plan

- Dividend reinvestment plan (DRP) was introduced 1 June 2021 and will apply to this dividend payment enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied to this dividend when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5.00pm NZT on 2 December 2021. Any applications received on or after this time will be applied to subsequent dividends





# APPENDICES

Ballooning at  
Queenstown Country Club, Queenstown



# Current portfolio composition

	Village	Region	Existing Units							Future Development					
			Villas	Apts	SA	CS	RH	H	D	2H22	FY23+ <sup>^</sup>	ILU	SA/CS	Beds	
1	Te Puna Waioira	Kerikeri	16	-	-	-	-	-	-	-	19	245	184	80	-
2	Aria Bay Retirement Village	Auckland North	-	34	17	59	-	-	-	-	-	57	57	-	-
3	Aria Gardens	Auckland North	-	-	-	-	43	91	20	-	-	-	-	-	-
4	Aria Park Retirement Village	Auckland City	-	-	46	-	30	54	-	-	-	60 (93)	14	46	-
5	Peninsula Club	Whangaparaoa	165	61	-	-	-	-	-	-	-	170 (34)	140	30	-
6	Mayfair Village	Auckland North	100	68	-	-	-	-	-	-	-	30	-	30	-
7	Knightsbridge Village	Auckland North	157	91	-	-	-	-	-	-	-	-	-	-	-
8	Parklane Village	Auckland North	99	-	58	-	-	-	-	-	-	53 (58)	-	53	-
9	Mt Eden Gardens Village	Auckland City	1	36	-	-	-	-	-	-	-	69 (37)	69	-	-
10	Cascades Retirement Village	Hamilton	-	5	32	-	42	32	-	-	-	80	50	30	-
11	Lauriston Park Retirement Village	Cambridge	183	-	-	-	-	-	-	15	66	15	63	-	-
12	Views Lifecare	Tauranga	-	-	-	-	18	50	20	-	-	-	-	-	-
13	Copper Crest Retirement Village	Tauranga	158	29	-	55	-	-	-	-	-	-	-	-	-
14	Bethlehem Country Club	Tauranga	166	3	-	-	-	-	-	2	-	2	-	-	-
15	Bethlehem Shores	Tauranga	169	-	-	-	-	-	-	16	159	115	60	-	-
16	Ocean Shores Village	Mt Maunganui	126	84	-	-	-	-	-	-	-	-	-	-	-
17	Glenbrae Village	Rotorua	90	-	36	-	13	28	-	8	-	8	-	-	-
18	Mary Doyle Lifecare	Havelock North	179	48	46	-	26	64	60	-	-	-	-	-	-
19	Olive Tree Village	Palmerston North	95	-	41	-	22	14	17	-	-	-	-	-	-
20	Molly Ryan Retirement Village	New Plymouth	35	-	28	-	20	13	-	-	-	-	-	-	-
21	Waikanae Country Lodge Village	Kapiti	4	-	20	-	27	32	-	-	-	-	-	-	-
22	Lansdowne Park Lifestyle Village	Masterton	69	-	29	-	25	25	-	-	50	50	-	-	-
23	Village at the Park Lifecare	Wellington	46	123	17	-	-	42	33	3	14	17	-	-	-
	Totals	North Island	1,858	582	370	114	266	445	150	63	1,053	721	392	-	-

<sup>^</sup> Gross units expected to be delivered (expected decommissions shown in brackets). Subject to final investment decision approval. # Portfolio metrics presented as if a 100% interest held. Arvida has a 50% interest in Village at the Park. The acquisition of the Arena Living villages was completed on 15 November 2021.



# Current portfolio composition

	Village	Region	Existing Units							Future Development				
			Villas	Apts	SA	CS	RH	H	D	2H22	FY23+^	ILU	SA/CS	Beds
24	Ashwood Park Retirement Village	Blenheim	18	-	35	-	47	48	26	-	-	-	-	-
25	The Wood Retirement Village	Nelson	5	-	36	-	30	47	-	-	-	-	-	-
26	Oakwoods Retirement Village	Nelson	116	-	45	-	22	26	-	-	31	-	31	-
27	Waimea Plains	Tasman	83	-	-	-	-	-	-	37	138	103	72	-
28	Bainlea House	Rangiora	-	-	-	-	-	-	27	-	-	-	-	-
29	Bainswood on Victoria	Rangiora	-	-	-	-	24	33	-	-	-	-	-	-
30	Bainswood Retirement Village	Rangiora	4	-	14	-	25	-	-	-	-	-	-	-
31	St Albans Retirement Village	Christchurch	-	21	60	-	28	10	-	-	-	-	-	-
32	Ilam Lifecare	Christchurch	-	-	45	-	22	34	20	-	-	-	-	-
33	Mayfair Retirement Village	Christchurch	11	-	23	-	29	35	-	-	-	-	-	-
34	St Allisa Rest Home	Christchurch	-	-	-	-	55	34	20	-	-	-	-	-
35	Park Lane Retirement Village	Christchurch	8	78	45	-	22	20	-	-	-	-	-	-
36	Rhodes on Cashmere	Christchurch	-	42	-	-	-	-	-	37	-	-	37	-
37	Queenstown Country Club	Queenstown	72	-	-	-	11	24	-	16	203	147	72	-
38	Strathallan Lifecare	Timaru	51	-	48	-	10	45	20	-	-	-	-	-
Totals			368	141	351	-	325	356	113	90	372	250	212	-

Development land	Region	Villas	Apts	SA	CS	RH	H	D	2H22	FY23+^	ILU	SA/CS	Beds
Te Awamutu	Te Awamutu	-	-	-	-	-	-	-	-	206	150	56	-
Waikanae Beach	Waikanae Beach	-	-	-	-	-	-	-	-	280	180	100	-
		-	-	-	-	-	-	-	-	486	330	156	-

	Region	Villas	Apts	SA	CS	RH	H	D	2H22	FY23+^	ILU	SA/CS	Beds
Totals	New Zealand	2,226	723	721	114	591	801	263	153	1,911	1,301	760	-

^ Gross units expected to be delivered (expected decommissions shown in brackets). Subject to final investment decision approval. # Portfolio metrics presented as if a 100% interest held. Arvida has a 50% interest in Village at the Park. The acquisition of the Arena Living villages was completed on 15 November 2021.



# Additional disclosures

Care Operations NZ\$m	1H22	1H21	FY21
Rest home fees	18.9	18.1	36.3
Dementia fees	8.2	7.7	15.6
Hospital fees	28.6	25.8	52.6
Premium fees	2.9	2.6	5.2
Other revenue	1.5	2.4	4.4
<b>Care revenue</b>	<b>60.1</b>	<b>56.6</b>	<b>114.1</b>
Serviced apartment fees	4.9	5.1	10.2
<b>Total care revenue</b>	<b>65.0</b>	<b>61.7</b>	<b>124.3</b>

Village at the Park Sales Analysis				
1H22	Resales		New Sales	
	Units	\$000	Units	\$000
Villas / apartments	3	\$1,595	1	\$1,025
Serviced apartments	7	\$3,085	-	-
Care suites	-	-	-	-
<b>Total Sales</b>	<b>10</b>	<b>\$4,680</b>	<b>1</b>	<b>\$1,025</b>
Value \$m	4.7		1.0	
<b>Av. value per sale \$000</b>	<b>468</b>		<b>1,025</b>	
Gains (100%) \$m	0.9		0.3	
Margin %	20%		26%	

Village Operations NZ\$m	1H22	1H21	FY21
RV weekly fees	7.4	6.6	13.5
Deferred management fees	19.4	15.5	33.5
Other revenue	1.6	2.1	2.6
<b>Operating revenue</b>	<b>28.4</b>	<b>24.2</b>	<b>49.6</b>
Realised gains on resales	11.9	10.3	26.0
Realised development margin	11.4	5.0	16.3
<b>Total village revenue</b>	<b>51.7</b>	<b>39.5</b>	<b>91.9</b>

Head Office NZ\$m	1H22	1H21	FY21
Employee costs <sup>1</sup>	3.6	3.7	8.1
Other	2.6	1.8	3.7
<b>Total expense</b>	<b>6.2</b>	<b>5.5</b>	<b>11.8</b>
Capitalised wages	1.9	1.4	2.8



# Definitions

## Underlying Profit (or Underlying NPAT)

Underlying Profit is a non-GAAP unaudited financial measure used by Arvida to monitor financial performance and determine dividend distributions.

Arvida calculates Underlying Profit by making the following adjustments to Reported Net Profit after Tax:

- Removing the change in fair value of investment properties, property, plant and equipment and derivatives (from the Statement of Comprehensive Income);
- Removing any impairment of goodwill;
- Removing any loss on disposal of chattels from the decommissioning of development sites;
- Removing any gains on acquisition of subsidiaries;
- Adding back the Directors' estimate of realised gains on occupation right agreement units;
- Adding back the Directors' estimate of realised development margin on the cash settlement of the first sale of new ORA units following the development or conversion to an ORA unit;
- Adding back the deferred taxation component of taxation expense so that only current tax expense is reflected; and
- Adding back transaction costs.

## Resale Gain

The Directors' estimate of realised gains on resales of ORA is calculated as the net cash flow received by Arvida on the settlement of the resale of pre-existing ORAs (i.e. the difference between the ORA licence payment received from the incoming resident and the ORA licence payment previously received from the outgoing resident).

## Development Margin

The Directors' estimate of realised development margin is calculated as the cash received on settlement of the first sale of new ORA units less the development costs associated with developing the ORA units.

Development costs include:

- Construction costs directly attributable to the relevant project, including any required infrastructure (e.g. roading) and amenities related to the units (e.g. landscaping) as well as any demolition and site preparation costs associated with the project. The costs are apportioned between the ORA units, in aggregate, using estimates provided by the project quantity surveyor. The construction costs for the individual ORA units sold are determined on a pro-rated basis using gross floor areas of the ORA units;
- An apportionment of land valued based on the gross floor area of the ORA units and care suites developed. The value for brownfield development land is the acquisition cost or the estimated fair value of land at the time a change of use occurred (from operating as a care facility or retirement village to a development site), as assessed by an external independent valuer. Greenfield development land is valued at historical cost; and
- Capitalised interest costs to the date of project completion apportioned using the gross floor area of ORA units developed.

Development costs do not include:

- Construction, land (apportioned on a gross floor area basis) and interest costs associated with common areas and amenities or any operational or administrative areas.



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