



## **NZX RELEASE**

### **CHAIR'S ADDRESS TO THE ANNUAL MEETING OF SHAREHOLDERS**

**30 June 2022**

“The year to March 2022 was both a very challenging and difficult period for the Company but also a successful one.

The coronavirus pandemic continued to cause significant disruption to New Zealand’s economy and to our sector and had a considerable impact on our business operations. New Zealand’s Omicron outbreak, which occurred through the latter part of the financial year, created some extraordinary work pressures - not just for the Arvida team, but across the health sector.

Our teams were well-prepared and worked very hard to ensure our communities remained safe. Their commitment and resolve allowed us to address the challenges of the pandemic effectively.

The ageing of New Zealand’s population will continue to drive demand for aged care services and retirement living options. At the same time, technological change and entry of the ‘boomer’ generation into retirement mean there is a transition under way to enhanced customer choice.

We have defined our strategy through four core pillars: to grow our portfolio of market-leading care centres and retirement communities; to empower our people to give their best effort everyday; to inspire our residents to live their best lives; and to be a sustainable organisation.

By putting people at the centre of our strategy we are building a vibrant and resilient business, and innovating products and solutions that our residents and future generations will need as they age.

We are also investing to provide solutions for those who wish to stay in their own home, supported by home care services and community connections that allow them to maintain their independence.

Our acquisition of the Arena portfolio during the year was a significant milestone for Arvida.

It added 1,046 units to the portfolio at five Auckland sites and one Tauranga site across a combined 48 hectares. It delivered meaningful scale in prime Auckland locations – a key New Zealand population growth area – with a range of opportunities identified to enhance the Arvida Living Well proposition over time.

The financial performance of the Arena communities since purchase has exceeded the expectations set at the time of acquisition.

In terms of Company performance, IFRS net profit for the full year improved to \$198.9 million, up 52% on last year. The result included the financial contribution of the Arena communities for the approximate 20-week period following settlement.

Underlying profit increased from \$51.9 million to \$75.4 million, which represented earnings per share of 12.0 cents. This was a 25% lift on the 9.55 cents recorded in the previous corresponding period and represented strong accretion in earnings per share, despite the challenging environment.

The Covid-19 impact on revenue and costs continues, and is expected to largely persist through this financial year.

A closed border for the past two years has affected the sector's ability to source vital nursing and construction staff. As a consequence of the labour market remaining tight and the nursing shortage becoming more problematic, we have observed a period of very rapid wage growth in some areas of our business.

We have previously expressed concern at the level of government funding for residential aged care. That concern has heightened over the course of the year, with additional costs incurred to meet the challenges of operating in a Covid-19 environment, retain nursing staff, and additional governance and compliance requirements.

Funding has not kept pace with the costs of aged care provision in New Zealand, and we are working with our peers in an attempt to convince government of the need to increase care funding allocations to the sector.

Arvida continues to be well-positioned from capital structure and balance sheet perspectives. Total assets increased to \$3.4 billion with the inclusion of the Arena communities and uplift from independent valuations carried out by CBRE Limited and Jones Lang LaSalle Limited.

\$330 million of new equity capital was raised in the third quarter to part-fund the \$345 million acquisition of the Arena communities. This assisted to reduce balance sheet gearing. As at 31 March 2022 our gearing ratio was 25%, which is at the lower end of the Board's target gearing range. With an uncertain economic environment ahead, the Board considers a conservative approach to gearing appropriate.

A dividend of 3 cents per share was paid for the second half of our financial year, bringing the full year dividend to 5.5 cents per share. This represents a pay-out ratio of 54% of underlying profit.

Looking forward, the Board expects dividends for the year to sit towards the lower end of the 40% to 60% full-year underlying profit target distribution pay-out range. This level of dividend takes a measured approach to balancing investment in our longer-term growth aspirations with sustainable dividends for shareholders.

As part of our annual governance work programme, the Board continues to monitor and consider Board composition, performance and succession. This is an ongoing process aimed at monitoring the requirements of the Company and the environment in which it operates against current Board capability and performance.

Michael Ambrose assumed the role of chairing the audit and risk committee following my appointment as Chair. Mr Ambrose has been a member of the committee since inception and is a qualified chartered accountant with extensive experience in the sector.

While our purpose is strongly aligned with social and community health aspects of sustainability, an increasingly important component of sustainability is the vital role we play in environmental management, particularly in doing our part to tackle climate change.

Environmental responsibility has been a key area of focus for the Company during the year.

Our current endeavours are reflected in our Carbon Disclosure Project 2021 rating of 'B-', which demonstrates the active steps we are taking to manage climate change in our business.

Included within our annual report are climate-related disclosures, which have been prepared in accordance with the current recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). A summary of some of the excellent work already being done in this area across the business is provided in our 2022 annual report, as well as an explanation of how we intend to achieve our emissions reduction targets.

It has been one of our busiest years, despite the various challenges the pandemic has created.

We have delivered improved financial performance, successfully integrated a very significant acquisition and achieved our target build rate. Our land bank for future development has been expanded, and we have advanced other commercial and operational opportunities in line with our stated strategy.

Acknowledging the uncertainties around Covid-19 and economic and market conditions, we believe Arvida is well positioned to continue to progress and grow shareholder value.

The business continues to pursue a clear strategy that addresses short and longer-term objectives through a well-defined business operating and expansion model. This will be enhanced by remaining committed to our strong values and culture, and our priority focus on our people.”

– ENDS –

**For more information, please contact:**

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

Mark Wells, Chief Financial Officer, Arvida Group Limited  
Tel: +64 21 327 054 or email: [mark.wells@arvida.co.nz](mailto:mark.wells@arvida.co.nz)

**About Arvida:**

Arvida is one of New Zealand's largest aged care providers owning and operating 35 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 over 6,000 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](http://www.arvida.co.nz)