NZX RELEASE

ARVIDA INCREASES NET PROFIT TO $59M

2019 Highlights

- **Underlying profit[1] of $38.6 million, up 17% on FY18**
- **Net profit after tax of $59.1 million, up 3% on FY18**
- **Continued high care occupancy maintained at 96%**
- **328 total occupation rights sales, up 11% on FY18**
- **Total occupation rights sales of $131.4 million, up 21% on FY18**
- **Resale margin of 23%, up from 20% in FY18**
- **113 new units delivered, with 170 new units scheduled for delivery in FY20**
- **Annual delivery rate of 200+ units from FY21, with pipeline of 1,357 units**
- **Dividend of 1.45 cents per share declared for fourth quarter**

28 May 2019 – Retirement village and aged care operator Arvida Group Limited reported increased net profit after tax of $59.1 million for the year ended 31 March 2019. A $48.7 million movement in the fair value of investment property was recorded, reflecting continued strength in property market fundamentals in areas where Arvida villages are located.

Underlying profit of $38.6 million was reported for the year, a 17 percent lift on the record reported last year. Earnings per share increased to 9.33 cents from 8.90 cents reported for the prior corresponding period, delivering an annual growth rate of 16 percent over the last four years.

Continuing strong financial performance across core operations and full year contributions from two of the villages acquired in the second half of the 2018 financial year delivered revenue of $152.4 million, 15 percent up on last year.

Operating cashflows for the Group were up 28 percent to $69.1 million.

Total value of assets grew to $1.3 billion at 31 March 2019, up 15 percent on the same period last year. This translated to an implied net asset value of $1.38 per share.

Since listing in December 2014, Arvida has established a national portfolio of 1,955 retirement units and 1,722 aged care beds spread across 29 villages.

Living well

High care facility occupancy of 96 percent was maintained. Occupancy continues to underpin strong performance in care fee revenue, which was up 14 percent to $108.2 million.

"A key area of focus in care is occupancy, which is the driver for revenue performance. It's essential to have a good reputation to drive occupancy," Arvida CEO Bill McDonald said.

Resident satisfaction is tracked using Net Promoter Scores, which continued to exceed expectations for both village and care facilities.

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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 other unrealised, deferred tax and one-off items.

“The ‘customer experience’ is critical to any organisation with a customer or end user. By giving teams strategic direction and fostering the right culture, we are delivering value to both our people and our residents,” said Mr McDonald. “This has translated into high occupancy rates, transformed our ability to gain extended certifications and enabled premium pricing structures.”

Seventeen of Arvida’s twenty-six care facilities have now fully achieved the gold standard of four-year certification in Ministry of Health audits, up from twelve a year earlier.

Mr McDonald said that Arvida was quickly establishing a track record of continuous improvement to Ministry of Health clinical standards that is both a reflection of the work completed by village and clinical managers on clinical quality as well as the care staff implementing The Attitude of Living Well model of care across the Group.

“Investment in new thinking across the business has allowed Arvida to implement this change theme. The results are evident in outstanding staff and resident surveys and translating into revenue growth and profit results.”

Arvida commissioned its first survey of staff this year to measure engagement and motivation across the Group. It found 96 per cent of staff surveyed were determined to give their best effort at work each day. Staff engagement was indexed at a high 78 per cent.

Total Occupational Right Agreement (ORA) sales that settled in 2019 were up $22.7 million to $131.4 million on 258 resales and 70 new sales.

“With 95 per cent of Arvida’s 29 retirement villages located outside of Auckland, sales activity benefited” said Mr McDonald. “About two-thirds of our portfolio is needs-based product mix as opposed to independent retirement product. This makes our cash flows generally more resilient in a slowing property market cycle as the choice becomes needs based.”

Arvida reported a strong lift in resale margin to 23 per cent compared to 20 per cent in the prior year. The average resale price achieved was 7 percent above the pricing assumed in the 2018 valuations. Inventory remained low with less than 2 per cent of the portfolio available for resale.

Sell down of new stock over the year was steady. Construction activity continued across eleven villages including the new village in Richmond – Waimea Plains.

With the first villas at Waimea Plains due for completion later this year, a launch event was held at the end of April to unveil the village to the local community. This received an excellent reception with more than 300 people visiting the village over the course of the weekend.

“There was high interest in our outwardly facing community concept, which is a key offering incorporated in all new villages. It forms part of the village and helps make that connection to the community by creating a neighbourhood that can include a range of hospitality, health and recreation facilities.”

Contracts are already held for 10 of the 38 villas soon to be available in the first stage.

Building well

The current development programme schedules the delivery of 170 new retirement homes in this financial year. A strong level of presale interest has already delivered contracts for over a third of the new homes scheduled for delivery this year.

Mr McDonald reported the year was busy in development with 113 new retirement homes delivered across five construction projects. “The investment in our development team has enabled them to manage an extensive construction programme across a diverse range of projects with relative ease.”

Arvida said the construction management team established to deliver projects in the Bay of Plenty region was working very well. “We continue to benefit from the greater oversight and control over projects, and an expected additional margin.” Arvida is currently evaluating whether to expand this in-house model to other areas.

During the year 18 hectares of bare land was acquired in Kerikeri to build a broad acre village comprising around 200 villas, 80 care beds and resident amenity.

Arvida continues to evaluate the acquisition of greenfield development sites with the quality of land acquisition opportunities increasing. “Having a mix of regional and urban future development opportunities in our pipeline is desirable,” Arvida CEO Bill McDonald said.

The development pipeline includes the addition of over 1,357 units to be completed over the next seven years. This lifts the expected build rate to an average of over 200 new units built each year.

Gearing measured on an accounting basis at 25 percent remained conservative with headroom in banking covenants to undertake the current development programme. Arvida said it was in discussions with its banking syndicate to provide a further tranche of debt capacity.

Buying well

While a number of acquisition opportunities were reviewed during the year, no villages were acquired. Arvida maintains the objective of acquiring quality villages that meet strict criteria in terms of location, quality of assets and current management, potential for development and importantly, earnings accretion. The more desirable locations are those areas that exhibit favourable demographics or complement existing Arvida villages.

Mr McDonald points to Arvida's acquisition strategy as a key differentiator from others in the sector. "Our ability to acquire and integrate well provides access to immediate new cash flows and new brownfield development opportunities that lead to further cash flows and value growth," he explained.

Increased dividend declared

Arvida Chair Mr Peter Wilson said Arvida's shareholders will receive an increased final ordinary dividend of 1.45 cents per share for the quarter, taking the full year cash dividend to 5.35 cents per share.

Mr Wilson said, "We are pleased to be returning a total of $22.2 million to our shareholders in dividends for the full year – an outcome of the strong momentum evident in the business."

The dividend is payable on 20 June 2019 with a record date of 12 June 2019.

Looking ahead

The New Zealand retirement sector broadly is in a significant and prolonged growth phase, fuelled by a well-known and much publicised demographic shift to an older New Zealand population.

"We are experiencing strong demand for our villages and care facilities and we're only expecting that to grow as the population ages."

Mr Wilson noted that challenges remained, with the sector still addressing the pay equity settlement impacts of higher operating cost impost to their businesses and a softer residential property market in Auckland and Christchurch extending settlement timeframes.

"Both our care operations and retirement villages continue to perform strongly, and our development pipeline continues to grow. We expect further earnings growth in the coming year" said Mr Wilson.

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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 over 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

Key statistics

Year ended 31 March	2019	2018
Total operating revenue ($000)	152,437	132,298
Net profit after tax ($000)	59,075	57,637
Underlying profit ($000)	38,635	33,019
Net operating cash flows ($000)	69,141	53,877
Total assets ($000)	1,299,648	1,132,380
Embedded value per unit ($000)	150	130
Underlying profit per share (cents)	9.33	8.90
Full year dividend per share (cents)	5.35	5.01
Net tangible asset per share (cents)	120	110
Net implied value per share (cents)	138	128
Sale of Occupation Right Agreements		
New units (#)	70	79
Existing units (#)	258	216
Total units (#)	328	295
New units ($m)	44	42
Existing units ($m)	87	67
Total units ($m)	131	109
Asset Base		
Care beds (#)	1,722	1,743
Retirement living units (#)	1,955	1,850
Total (#)	3,677	3,593
Needs-based composition (%)	66%	68%
Care Occupancy (%)	96%	96%
Development Pipeline		
Units delivered in the year	113	97
Future development pipeline	1,357	1,099