

## Arvida Group Limited (ARV)

### Market Release

26 NOVEMBER 2015

#### ARVIDA ANNOUNCES INTERIM PROFIT OF \$7.4 MILLION

- Net profit after tax of \$7.4 million and Underlying Profit<sup>1</sup> of \$7.3 million for the six month period to 30 September 2015
- Total assets grew to \$438.4 million, up \$84.4 million since year end
- Business transitioning from integration to 'business as usual' over the next six months
- National footprint extended with the successful acquisition of the three Aria villages – provides a key strategic Auckland presence and quality brownfield development opportunities
- Growth to continue with 225 new units and beds planned for delivery over the next three years
- Positive outcome to finalise all Christchurch earthquakes insurance claims
- Quarterly dividend of \$1.05 cents per share declared, in line with Initial Public Offer (IPO) prospectus
- Outlook – the business is performing well and is on track to exceed prospectus profit forecasts

#### Financial Performance

Arvida Group Limited (NZX:ARV) today announced a strong interim result and expects to exceed the profit forecasts for the year ending 31 March 2016, as set out in the IPO prospectus dated 17 November 2014. The results for the six-months include a full period of operations of the villages acquired in the IPO and an approximate three month contribution from the acquisition of Aria Bay, Aria Gardens and Aria Park, which completed on 3 July 2015 (the "Aria Villages").

Commenting on Arvida's financial performance, Chairman Peter Wilson said, "This is a very pleasing result which reflects the significant progress made integrating the now 21 retirement village and aged care facilities, and the benefits resulting from implementation of our support centre structure."

#### Statutory Result

For the first six months to 30 September 2015, Arvida achieved total operating revenue of \$39.3 million. Good demand exists for Arvida's villages and care facilities across the country, with the care facilities occupancy rate at over 93% across the Group (significantly higher than the national average of 87%). In addition, \$3.8 million of gains in the fair value of investment properties were derived from a desktop review completed by CB Richard Ellis (CBRE).

Total expenses were \$33.8 million and included one-off expenses of \$1.4 million relating to the acquisition of the Aria Villages and earthquake remediation costs. The Profit after Tax of \$7.4 million compares to \$10.6 million for the IPO prospectus forecast for the full year to 31 March 2016.

Underlying Profit<sup>1</sup> of \$7.3 million, compares to the IPO prospectus forecast for the full year to 31 March 2016 of \$13.3 million. Included within Underlying Profit are \$2.7 million of gains from 61 resales of existing units and 11 sales of new units.

Total assets grew to \$435.8 million, up \$82.8 million since year end. The market value of all properties from the latest CBRE valuations (excluding any insurance related impairment) was \$295.7 million, up from \$225.1 million at 31 March 2015 largely as a result of the Aria Villages acquisition.

External bank debt was \$10.0 million and resident loans totalled \$134.1 million at 30 September 2015. Total Equity was \$252.7 million, up from \$209.7 million largely due to the equity capital raisings of \$35 million and the issue of \$6 million of shares to vendors of the Aria Villages to partly fund the Aria transaction.

### **Insurance Settlement**

Arvida agreed with its insurer, a gross settlement of \$18.1 million to resolve its outstanding insurance claims relating to six of its properties impacted by the Christchurch earthquakes. The actual payment received was reduced by \$1.0 million for the EQC contributions already received and \$0.4 million for policy excesses. The proceeds were received on 30 September 2015 and were utilised to reduce bank debt whilst the remediation planning is completed.

### **Transitioning from Integration to 'Business as Usual'**

The integration of Arvida's 21 villages and care facilities has been a successful process with the focus now on transitioning from integration to 'business as usual' over the next six months. This includes continuing to make improvements in our high quality 'care offering' and further operational and financial improvements across the Group.

CEO Bill McDonald highlighted the progress made, commenting "Arvida's core operations support centre is designed to provide the framework for our individual villages and care facilities to deliver strong results. We now have core support capabilities in development, finance, human resources, operations and marketing and sales and are well positioned to deliver on our strategy."

The next steps in delivering on our strategy include:

- developing the operational culture to increase positive resident experiences
- providing the IT infrastructure to share information and improve communication, reporting and benchmarking across the Group
- embedding standardised Group policies, procedures and processes that maximise quality of care while minimising risk
- leveraging existing expertise and resources across the Group
- continuing to realise significant procurement savings while improving overall quality and service. To date procurement savings are in excess of \$1.5 million
- developing consistent, professional marketing and sales processes and a consistent brand and visual identity across the Group
- clearly positioning the business and its unique selling points and value proposition

### **Development Activities**

Our brownfield developments demonstrate our commitment to meeting the rising demand for care bed and retirement living developments. In the current financial year, development activities are anticipated to deliver 32 new units/beds and significant refurbishments at two care facilities. Resource consents have been lodged for a further 173 units/beds and resource consent drafting is underway for a further 20 units. In total, 225 units/beds have been planned for delivery in the next three years, with opportunities for a further 100+ units/beds on existing sites. Arvida is also focused on planning the remediation and refurbishment of its villages in Christchurch that were affected by earthquake damage.

### **Acquisition**

On 3 July 2015, Arvida purchased Aria Gardens, Aria Park and Aria Bay (collectively known as "Aria Villages"). The Aria Villages comprise three high quality retirement villages and aged care facilities situated in premium locations across Auckland that provide retirement services to around 350 residents. The villages have a strong care focus and meaningful brownfield development opportunities.

Although the focus is currently on optimising the performance of existing villages and brownfield developments, we continue to scan the horizon for attractive, earnings accretive and value enhancing acquisition opportunities that meet our criteria.

### **Dividend**

A cash dividend of 1.05 cents per share, consistent with the first quarter, has been declared for the September quarter, amounting to \$2.9 million. The dividend is partially imputed at 0.35 cents per share. A supplementary dividend of 0.16 cents per share will be paid to non-resident shareholders. The dividend record date is 10 December 2015 and payment will be made on 21 December 2015.

### **Outlook**

Arvida Chairman Peter Wilson said “The Board is pleased with progress made to date. As Arvida transitions from integration to ‘business as usual’, our focus will be firmly on improving the lives and wellbeing of our residents.”

Beyond this, Mr Wilson said “supported by positive ongoing sector demographics and the favourable outlook in demand for the services Arvida provides, we are confident that by remaining on strategy, we are well positioned to deliver on the profit forecasts contained in the IPO prospectus.”

Footnote:

<sup>1</sup> Underlying Profit is a non-GAAP 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.

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### **About Arvida:**

Arvida Group Limited (**Arvida**) is a retirement village group with an emphasis on providing a continuum of care from independent living through to high quality aged care services. Arvida has 21 villages across New Zealand comprising: Aria Bay, Aria Gardens and Aria Park, Auckland; Glenbrae, Bay of Plenty; Molly Ryan, New Plymouth; Olive Tree, Palmerston North; Waikanae Lodge, Waikanae; Oakwoods and The Wood, Nelson; Ashwood, Blenheim; Ilam, The Maples, Mayfair, Park Lane, Rhodes on Cashmere, St Albans, St Allisa and Wendover, Christchurch; and Bainlea House, Bainswood House and Bainswood on Victoria, Rangiora. Arvida’s shares trade on the NZX Main Board under the code ARV. See [www.arvida.co.nz](http://www.arvida.co.nz)

