Arvida Group Limited (ARV)
Market Release
25 MAY 2016

ARVIDA REPORTS UNAUDITED PROFIT OF $24 MILLION

- **Net Profit After Tax of $24.0 million delivered ahead of IPO forecast of $10.6 million**
- **Underlying Profit[1] of $15.8 million up 19% on IPO forecast**
- **$19.1 million fair value gain on investment property**
- **Development pipeline within the existing villages progressed, with completion of all planned developments**
- **Sales momentum built and high occupancy in aged care facilities maintained**
- **Conditional acquisition of Lansdowne Park in Masterton**
- **Final dividend lifted to 1.10 cents per share, bringing total net dividends for the year at 4.25 cents per share, above IPO forecast**

Financial Performance

Arvida Group Limited (NZX:ARV) today announced a strong result for the year ending 31 March 2016, that was ahead of profit forecasts set out in the IPO prospectus dated 17 November 2014. The unaudited result includes an approximate nine-month contribution from the acquisition of Aria Bay, Aria Gardens and Aria Park (the “Aria Villages”) that was completed on 3 July 2015.

Commenting on Arvida’s financial performance, Chairman Peter Wilson said, “Our first full financial year as a publicly listed company has seen Arvida make substantial progress against the growth initiatives outlined at the time of IPO and deliver strong financial results against IPO forecasts.”

Arvida reported total operating revenue of $82.5 million, 19% ahead of IPO forecast, and Net Profit after Tax for the year of $24.0 million.

The care facilities performed strongly with a high occupancy rate of 94% maintained across the Group and care fee income derived of $62.1 million.

Arvida reported a $19.1 million increase in the fair value of investment properties, as a result of the valuations completed by CBRE Limited (CBRE). The significant increase in value represented a number of factors including the ageing demographic driving demand, strong house price inflation and specific initiatives at some sites including pricing reviews, facility upgrades, new contract terms and the buy-back of unit titles.

Arvida’s Underlying Profit[1] of $15.8 million compares to an IPO forecast of $13.3 million, reflecting strong performance at both the original villages and the acquired Aria Villages.

Gains on sales of $6.5 million were generated, comprising $5.0 million from resales of existing units and $1.5 million from sales of new units. 20 new units were sold generating $9.3 million of proceeds. The sell down of Aria Bay and Park Lane has now largely concluded (with only 2 units currently not under contract). The construction of the 11 new serviced apartments at Glenbrae have been recently completed.

Total assets grew to $461 million, up $108 million since the start of the financial year. The Aria Villages represent $92 million of total assets.

The net market value of all properties from the latest CBRE valuations was $295 million. The Aria Villages increased $3.3 million since acquisition.

External bank debt was $13.3 million representing gearing of 5% at 31 March 2016.

Dividend

A final cash dividend of 1.10 cents per share has been declared for the March quarter, amounting to $3.0 million. Total net dividends for the year of 4.25 cents per share reflects the Group performance being ahead of IPO forecast.

The dividend is partially imputed at 0.40 cents per share. A supplementary dividend of 0.18 cents per share will be paid to non-resident shareholders. The dividend record date is 9 June 2016 and payment will be made on 17 June 2016.

Escrowed Shares

As part of the IPO and Aria transaction, 147.4 million shares are subject to escrow provisions that restricted sale or transfer prior to 31 May 2016. After canvassing escrowed shareholders, a response from shareholders representing 142.0 million of the escrowed shares were received. From these indicative responses, only 3% of their escrowed shares will be made available for sale. The Board has been encouraged by the on-going support shown from foundation shareholders. Forsyth Barr Limited, who has been appointed to assist in the co-ordination and sale of any escrowed shares at the end of the escrow period, has received indications of interest from a range of institutional and retail investors in relation to the purchase of these escrowed shares.

Insurance Settlement

With all historical insurance claims settled, and expected to fully cover remediation costs, Arvida now has the ability to complete remediation works on its Christchurch properties. In August 2015, remediation works on 109 units commenced at St Allisa. These are expected to be completed by December 2016. Remediation work has also recently commenced at St Albans on the hospital wing and a number of serviced apartments impacted by the earthquakes.

Integration Complete

CEO Bill McDonald highlighted progress, commenting “Over the last twelve months we have completed our integration plan across key areas of the business. The initiatives and investments made are proving to effectively deliver a consistently high level of service across the organisation.”

Cost saving benefits realised from integration and synergy strategies have allowed increased reinvestment in additional people resource and systems to ensure a high level of care, effective integration and a platform for future growth.

Arvida will continue to focus on enhancing the quality of its care and wellbeing offering now that the integration phase is complete. This will include continuing to make further operational and financial improvements across the Group.

Strategic initiatives for 2016-2017 include:

- Investing in improving the skills and expertise of village management and staff to enhance the care and services provided to residents; and
- Introducing time and attendance and payroll systems, as well as further developments to our IT systems to underpin our continued growth.

Development Activities

Arvida met brownfield development targets on existing properties. In total, 32 new units/beds were completed at Glenbrae, Park Lane and Aria Gardens. In addition, 149 units were refurbished for resale and a total of 79 care beds were refurbished at Aria Gardens, St Allisa and Glenbrae.

Arvida has an active brownfield development programme with potential to enhance earnings from existing facilities and provide attractive returns on capital invested. Returns from developments continue to grow as they mature and reach normal levels of activity. Development capabilities have been deepened in order to position the company to execute the opportunities ahead.

Brownfield development activity in progress includes 150 retirement units and 37 care beds in the planning and consenting phase. Auckland City Council has recently approved the resource consent for the construction of 24 luxury apartments at Aria Bay. The village is very well located, with an excellent reputation in its local community and these new apartments will provide local residents with a quality retirement offering.

In addition, there are an estimated additional 100+ beds/units within existing villages that are yet to be assessed.

Acquisitions

During the year, Arvida purchased the Aria Villages for $63.8 million. The Aria Villages comprise three high quality retirement villages and aged care facilities situated in premium locations in the key Auckland market. This acquisition was a first step in delivering to Arvida's stated growth strategy. Underlying earnings at the Aria Villages exceeded budget expectations.

On 25 May 2016, Arvida entered into a conditional agreement, subject to regulatory approvals, to acquire 100% of the shares in Lansdowne Park for $20.6 million. Lansdowne Park is located in Masterton and comprises of a recently constructed aged care facility and integrated retirement village. It has 93 retirement units and 50 care beds situated on 5.05 hectares of mature grounds and provides facilities to over 170 residents. The acquisition is immediately accretive to earnings. It is to be funded from existing debt facilities, with the vendors taking $6 million of shares in Arvida as part consideration. Settlement is expected to occur on 30 June 2016.

Outlook

Arvida Chairman Peter Wilson said "The Board sees the business continuing to perform strongly. Refurbishment and development activity will deliver continued momentum in our revenue and earnings. We expect the increased level of dividend to be maintained."

Beyond this, Mr Wilson said "We have established a business capable of scaling up as the Group grows. Well located and operated villages, complemented by potential greenfield opportunities that enhance our national coverage and underpin future growth options will be of interest to us."

Footnote:
[1] 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**