



# PRESENTATION OF 1H2019 RESULTS

Arvida Group Limited  
Six Months Ended 30 September 2018

27 November 2018



# 1H19 RESULT HIGHLIGHTS

## Continued strong financial and operational performance

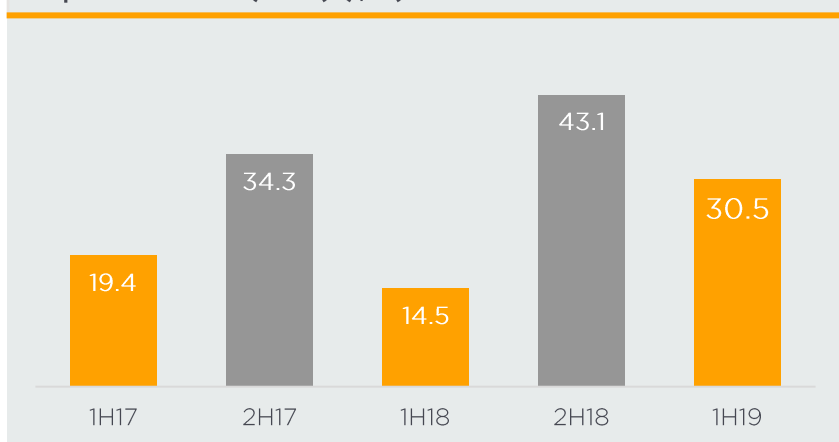
- 45% lift in Underlying Profit<sup>1</sup> to \$17.9m
- Continued high care occupancy above 95% underpins strong cash flows
- Lengthening of MoH certification periods to an average of 3.54 years
- Resale margin of 22%, up from 19% in 1H18
- Resale volumes up 38%; total resales up 51% to \$42.1m
- On track to deliver 112 new units for FY19 in line with guidance
- Annual delivery rate to exceed 200 units in FY21
- Development margin of 16% on \$17.3m new unit sales in period
- Increased development pipeline with new greenfield site acquired in Kerikeri
- Engagement survey recorded 96% staff give their best everyday

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.

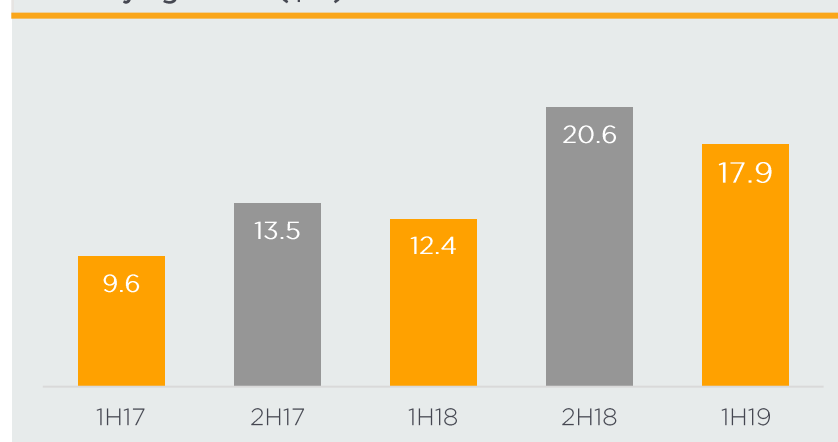


# STRONG TRENDS CONTINUE

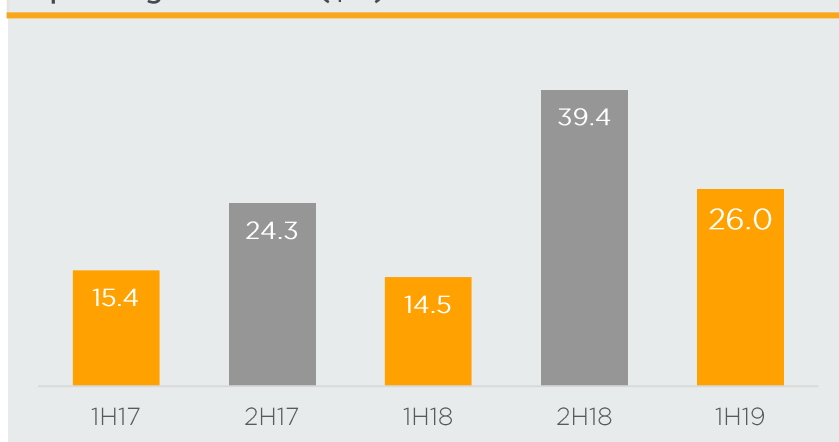
Reported NPAT (IFRS) (\$m)



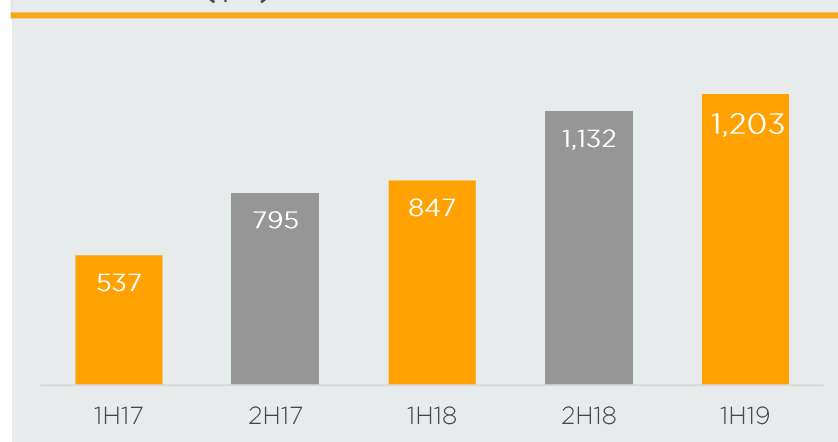
Underlying Profit<sup>1</sup> (\$m)



Operating Cash Flow (\$m)



Total Assets (\$m)



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 is appended.



## BUSINESS OVERVIEW



# ARVIDA IS CARE FOCUSED

## Arvida Portfolio Composition<sup>1</sup>

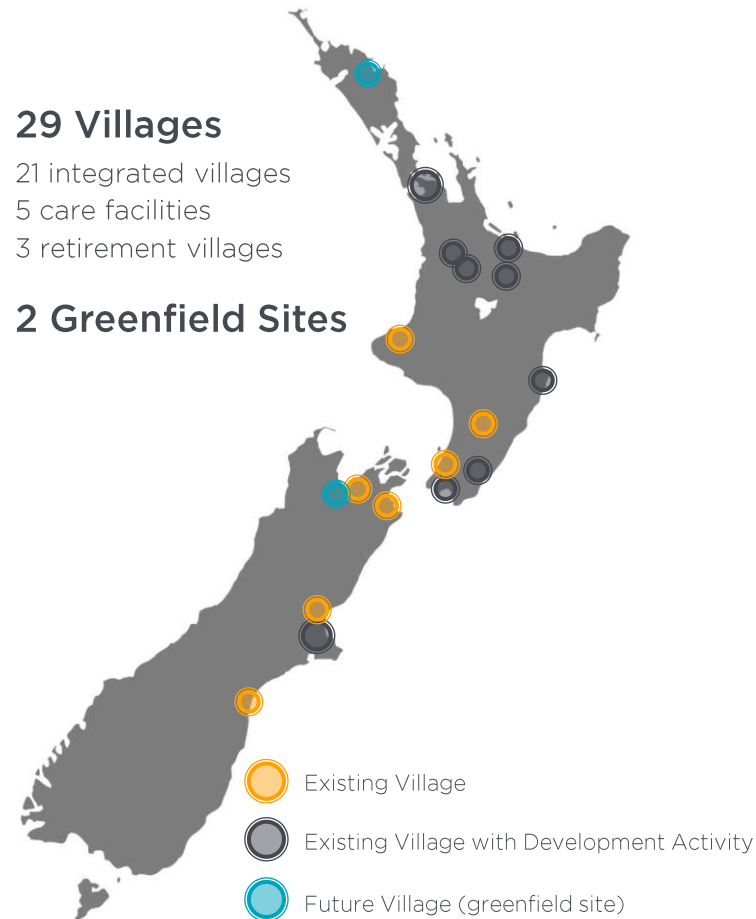
	Beds	Care Suites	Serviced Apts	ILUs	Total	Needs-based %
North Island	907	17	291	963	2,178	56%
South Island	836	-	380	258	1,474	82%
<b>Total</b>	<b>1,743</b>	<b>17</b>	<b>671</b>	<b>1,221</b>	<b>3,652</b>	<b>67%</b>
Development <sup>2</sup>	69	436	12	804	1,321	39%
<b>Total Developed</b>	<b>1,812</b>	<b>453</b>	<b>683</b>	<b>2,025</b>	<b>4,973</b>	<b>59%</b>

## Arvida Locations

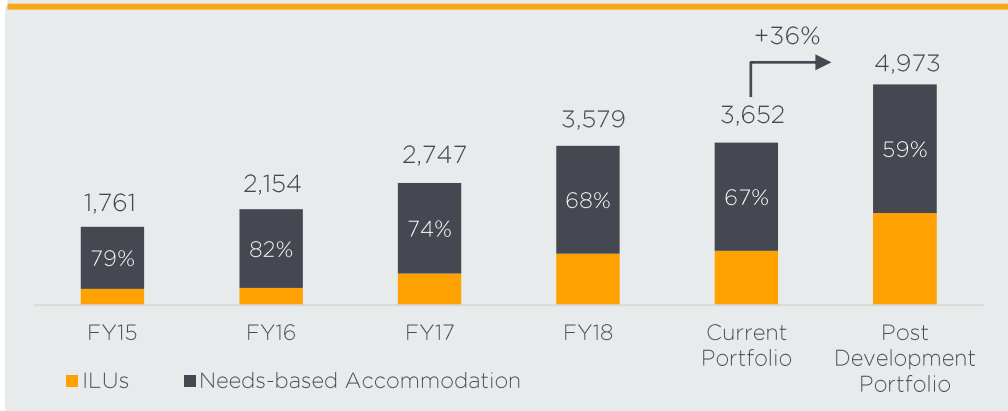
### 29 Villages

21 integrated villages  
5 care facilities  
3 retirement villages

### 2 Greenfield Sites



## Needs-based Portfolio Composition



1. Portfolio metrics include Village at the Park in which Arvida has a 50% interest.  
2. Net of decommissions.



# OUR STATED STRATEGY

## LIVING WELL

### **Our Vision**

is to improve the lives and wellbeing of our residents by transforming the ageing experience.

### **Our commitment**

is to challenge ourselves to make our residents' lives better with everything we do.

## BUILDING WELL

### **Brownfield**

development activity within existing villages.

### **Greenfield**

development where we see value.

## BUYING WELL

### **Acquisition**

### **criteria are**

location, quality of assets and current management, opportunities for development and immediately earnings accretive.

## ENGAGING WELL

### **Customer focused**

approach to health service delivery in the broader community.



# ARVIDA'S MODEL OF CARE

## The Attitude of Living Well

- Bringing the Attitude Of Living Well to life: Small groups of residents are supported by self-led, highly-valued, decentralised teams of employees that together create a home, nurture relationships, determine their own lives and build a community



- We have developed the Arvida Living Well model of care supported by an Attitude of Living Well Leadership programme, which encompasses Wellness leaders and Wellness teams in each Village and a new staffing structure to support household living
- The aim is to support residents to live their best life in a home-like environment where they set the pace and rhythm of their day
- Staff are empowered to act as support partners, providing help and support where needed and allowing choice and autonomy as much as practicable





# OPERATIONAL HIGHLIGHTS

- Completed first engagement survey of staff with excellent feedback and comments received:
  - 96% of staff surveyed were determined to give their best effort at work each day
  - Staff engagement in their everyday work was indexed at 78%
  - 83% of staff feel motivated to go above and beyond what is required
- Survey offers some terrific insights into the culture developing across the organisation
- Reporting of results to a granular level provided to staff to enable all functional areas to benefit from those insights
- Continued excellent Ministry of Health audit results with an additional 2 care facilities achieving four-year certification in audits performed during the period:
  - 14 of 26 care facilities or 54% have now achieved this gold standard lengthening the average certification tenure to 3.54 years across the Group
- Care occupancy at 95.3% in September:
  - High care occupancy continued for period averaging close to 96% with dementia care rooms near 100% occupancy
- Rollout of resident management system now implemented across all care facilities in the Group
- No significant health and safety incidents during the period, with operational and development sites being well managed. One injury on a development site was required to be notified to Worksafe NZ, however there were no repercussions as a result of that injury
- IT roadmap includes investment in enabling technology such as WiFi and connected services so that our villages and new developments are future proofed with key IT infrastructure
- All FY18 acquisitions now fully integrated into Arvida systems, policies and operating model







DEVELOPMENT

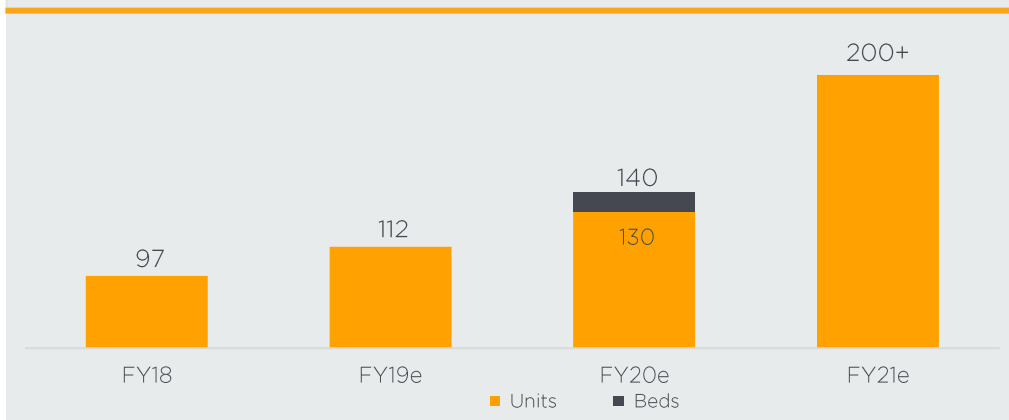
# 1H19 NEW UNIT SALES & DELIVERY

Sales Analysis	1H19	1H18	YoY change	FY18
<u>New Sales</u>				
ILUs	27	1		73
Serviced apartments	1	2		2
Care suites	2	-		2
<b>Total new units sold</b>	<b>30</b>	<b>3</b>	<i>nm</i>	<b>79</b>
Value \$m	17.3	1.2	<i>nm</i>	41.7
<b>Av. value per new sale \$000</b>	<b>578</b>	<b>392</b>	<i>47%</i>	<b>528</b>
Development gain \$m	2.6	0.5	<i>nm</i>	6.5
Development margin %	16%	43%		19%

## Commentary

- For 1H19, delivered 61 new units across 4 villages and settled sales of 30 new units during period
- Of the 97 units delivered in FY18, 73 sales settled in FY18, 16 sales settled in 1H19, 2 sales settled in 2H19 to date, 5 units are under contract (expected to settle FY19) and 1 unit remains for sale
- Of the 61 new units delivered in 1H19, 11 sales settled in 1H19, 9 sales settled in 2H19 to date, 11 are under contract, 27 remain for sale and 3 units will remain as stock until the adjoining stage is completed

## New Units and Beds delivery



1H19 Unit Delivery	Units	Av. \$000
Aria Bay	25	997
Copper Crest	6	753
Mary Doyle	1	695
Park Lane	29	595
<b>1H19 New Units</b>	<b>61</b>	<b>777</b>

\$000	ILUs	SAs	Suites
Av. Sales Value	620	230	185





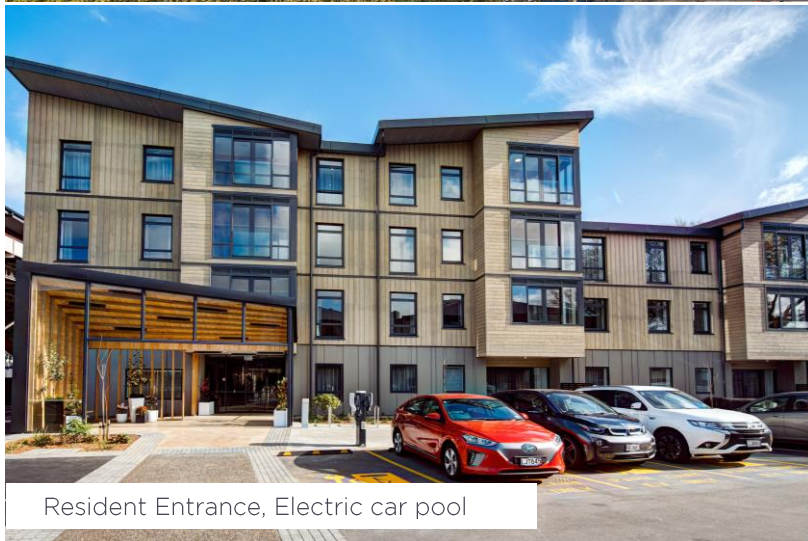
# STAGE 1 PARK LANE – 29 APTS



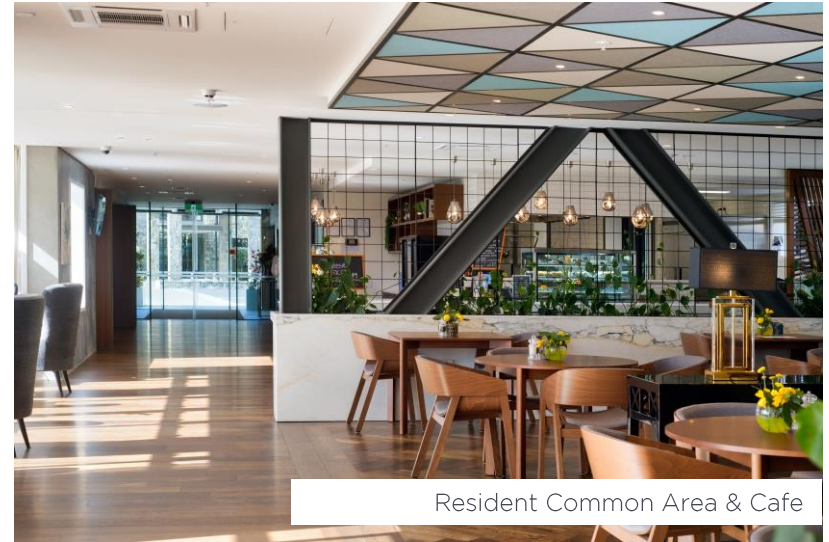
Existing Village

Stage 1

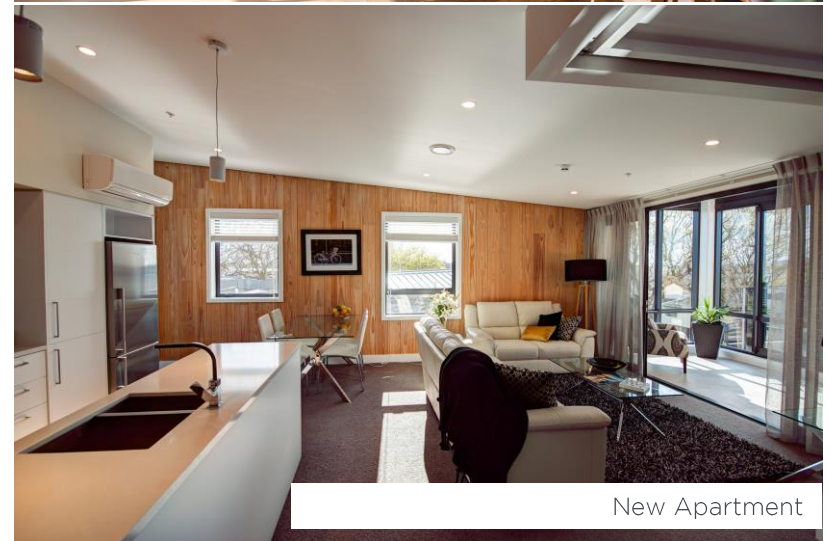
Stage 2



Resident Entrance, Electric car pool



Resident Common Area & Cafe



New Apartment

# SALES & MARKETING APPROACH

## 01

### Village and Community Consultation

#### 1. Resident and Community Engagement

- > Resident community
- > Stakeholders and wider community
- > Urban planners and council



#### 2. Partner Selection

In keeping with the vision:

- > Architects and Builders
- > Procurement chain
- > Main Suppliers

**Jasmax**



#### 3. Master Planning / Concepts

- > Project renders – interior and exterior



## 02

### Launch Programme

#### 1. Community profile – PR/media

- > Land purchase, village naming

#### 2. Capture Expressions of Interest

Via website or phone calls, by experienced sales resource. Interest generated through:

- > PR/media, paid advertising “new village is coming”, word of mouth



#### 3. Creation of sales tools

- > Village brochure
- > Plans & specification information



#### 4. Special events

- > Pre-launch catch ups, progress updates
- > Pre-sales launch event for Friends of Arvida
- > Public launch – now open for pre-sales
- > Show home open

## 03

### Sales Programme

#### 1. One-on-one appointments

- > Appointments with those registering an interest

#### 2. Database marketing

- > Regular communication and personal contact

#### 3. Paid advertising

- > Advertising schedule in place – press/radio/digital
  - > On site sales office
  - > Regular open days

#### 4. Sponsorship

- > Support local clubs and groups
- > Local presence

#### 5. Show home available

- > Friends of Arvida
- > Open to public

#### 6. First homes available for occupation







# COPPER CREST DEVELOPMENT







# OTHER KEY PROJECTS

## Aria Bay Auckland

- 25 premium apartments delivered
- Next stage includes redevelopment of 58 apartments & 59 care suites
- Delivery of next stage due FY23/FY24



## Rhodes on Cashmere Christchurch



## Waimea Plains, Richmond

- 8.2 hectares acquired May 2017
- Resource consented for 160 villas, 26 townhouses, 81 care suites plus community precinct
- Earthworks completed on the front block
- Construction of the first stage of 34 villas due to commence; scheduled for delivery in FY20 on current project planning
- Strong public interest received from launch marketing
- Local competition named the village “Waimea Plains” connecting with the area’s location
- Significant residential development in progress in surrounding area







# NEW GREENFIELD SITE ACQUIRED



18 hectares in Kerikeri  
Capacity for 200 villas, 80 beds  
Master planning underway





# CURRENT DEVELOPMENT PROGRAMME

## On track to deliver 112 new units in FY19

Village	Location	Status	1H19	2H19	FY20+ (In Progress)
Aria Bay	Auckland	Delivered	25 Apts	-	-
Aria Bay	Auckland	Construction to commence (consented)	-	-	117 Apts/Care (64 decoms)
Copper Crest	Tauranga	Under construction (6 villas delivered)	6 Villas	19 Villas	5 Villas
Copper Crest	Tauranga	Construction to commence (consented)	-	-	79 Apts/Care
Lauriston Park	Cambridge	Under construction	-	-	12 Villas
Mary Doyle	Havelock North	Under construction (1 villa delivered)	1 Villa	9 Villas	32 Villas
Village at the Park	Wellington	Under construction	-	-	24 Apts
St Albans	Christchurch	Under construction	-	-	45 Apts/Care
Park Lane	Christchurch	Under construction (29 apts delivered)	29 Apts	-	50 Apts
Rhodes on Cashmere	Christchurch	Under construction	-	23 Apts	50 Apts/Care
Waimea Plains	Richmond	Under construction	-	-	34 Villas/Apts
<b>Total In Progress Development</b>			<b>61</b>	<b>51</b>	<b>448 Units / Beds (64 decoms)</b>

- A further 886 units/beds are in the early stages of planning for construction on existing land
- Development programme schedules delivery of 200+ units in FY21

Note, figures are gross units expected to be delivered (nil decommissions in current programme).



# FUTURE DEVELOPMENT TIMEFRAMES

Estimated delivery timeframes	ILUs	SAs	Suites	Beds	Consented	Planned	2H19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27+
St Albans	26			19	45			25							
Park Lane	50				50										
Rhodes on Cashmere	73				73		23								
Glenbrae		12		10	22			10							
Village at the Park	40				40			24							
Copper Crest	53		50		103		19	5							
Mary Doyle	41				41		9	15							
Lauriston Park	42		60		102			12							
Aria Bay	58		59		117										
Wendover	20			40		60									
Aria Park	19		76		95										
Cascades	60		30			90									
Waimea Plains	186		81		267			34							
Kerikeri site	200		80			280		15							
<b>Total</b>	<b>868</b>	<b>12</b>	<b>436</b>	<b>69</b>	<b>955</b>	<b>430</b>	<b>51</b>	<b>140</b>	<b>200+</b>	<b>200+</b>	<b>250+</b>	<b>150+</b>	<b>150+</b>		



1H19  
FINANCIALS



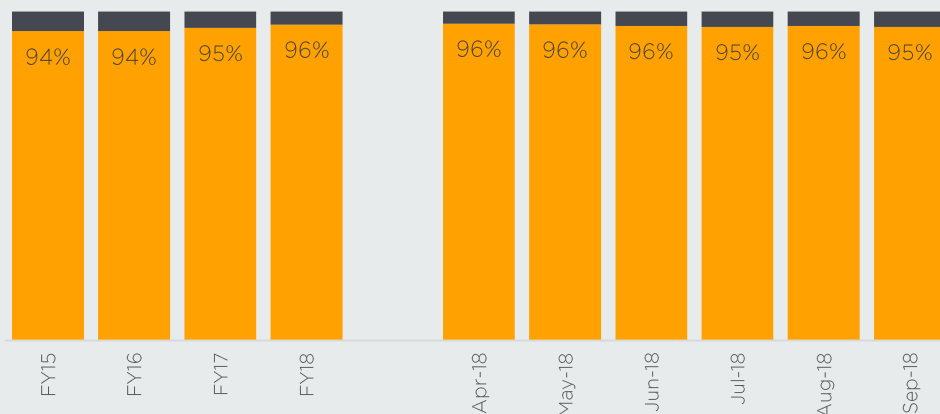
# CARE OPERATIONS

NZ\$m	1H19	1H18	YoY change	FY18
Rest home fees	19.3	16.3	18%	36.7
Dementia fees	7.8	4.4	77%	9.9
Hospital fees	24.8	20.4	21%	45.0
Other care fees	0.7	0.7	9%	1.4
Other revenue	1.1	0.8	38%	1.7
<b>Care revenue</b>	<b>53.7</b>	<b>42.6</b>	<b>26%</b>	<b>94.6</b>
Serviced apartment fees	5.5	4.6	20%	10.1
<b>Total care revenue</b>	<b>59.2</b>	<b>47.2</b>	<b>25%</b>	<b>104.7</b>

## Aged Care Strategy

- 1 Retain high needs-based portfolio composition
- 2 Excellence in care: Arvida's Attitude of Living Well
- 3 Increase PAC rates on care beds
- 4 Introduce premium care suite offering in key urban areas
- 5 Conversion of existing care beds and certification of serviced apartments

## Care Facility Occupancy



## Care Facility Commentary

- The Group considers integrated sites as one business unit, rather than segmented care and retirement businesses
- Care fees include \$1.4m for premium accommodation
- The five standalone care facility sites with a total of 435 beds (25% of beds) generated \$3.8m of EBITDA during the half
- On an annualised basis, this equates to \$17.4k EBITDA per bed, which compares to \$17.8k per bed assumed by the valuers as at 31 March 2018 across these sites. Overall, we expect our integrated care facilities to deliver average EBITDA in a range of \$10,000-14,000 per bed



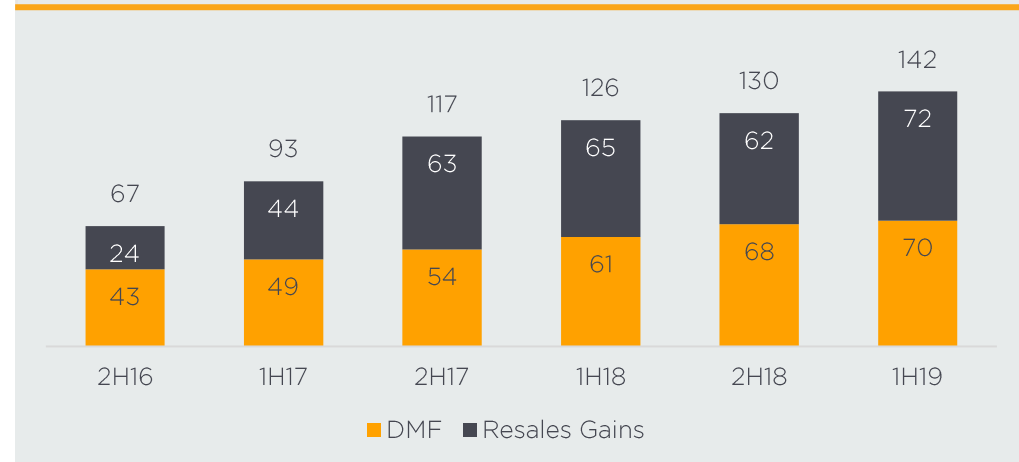
# VILLAGE OPERATIONS

NZ\$m	1H19	1H18	YoY change	FY18
RV weekly fees	4.7	3.4	38%	6.9
Deferred management fees	10.4	8.4	24%	18.1
Other revenue	1.2	0.8	50%	1.7
<b>Operating revenue</b>	<b>16.3</b>	<b>12.6</b>	<b>29%</b>	<b>26.7</b>
Realised gains on resales	9.1	5.2	75%	13.3
Realised development margin	2.6	0.5	420%	6.5
Resident share of capital gains	(0.7)	(0.2)	250%	0.8
<b>Total income</b>	<b>27.3</b>	<b>18.1</b>	<b>51%</b>	<b>47.3</b>

## Retirement Village Strategy

- 1 Invest in scale and quality adding value through brownfield development
- 2 Develop greenfield villages that offer a continuum and cater for future residents' needs
- 3 Build a development pipeline to deliver 200+ units p.a
- 4 Engagement with communities to promote retention of active links
- 5 Fair approach to contracts

## Embedded Value<sup>1</sup> (\$'000 per unit)



## Embedded Value Composition (\$'000 per unit)

Average Embedded Value	ILUs	SAs	Total
Resale gains	92	41	72
DMF	84	48	70
Total embedded value	176	89	142

- Total portfolio EV was up \$25m since 31 March 2018 to \$247m
- On a per share basis, EV represents 59.8 cents per share, 11% increase on 1H18
- EV is an indicator of the potential future cash flows from realised resale gains and deferred management fee receivables

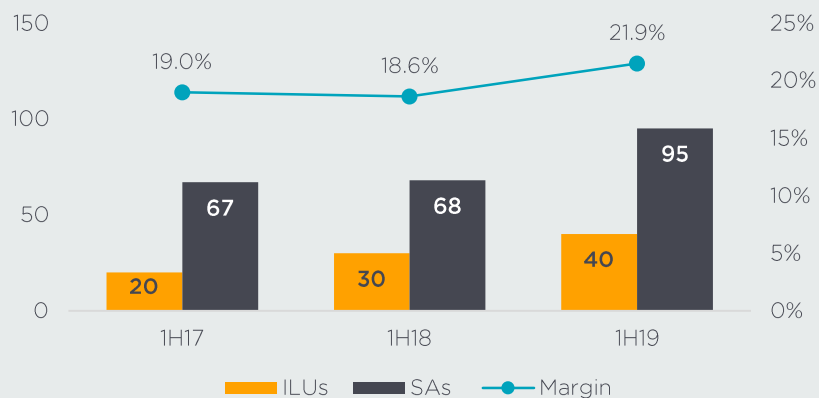
1. Embedded Value ("EV") per unit is an internal calculation based on the data in the independent valuation reports for all occupied units: Resale Gain EV is calculated by reference to the current unit price less the ingoing unit price less any capital gain sharing; DMF EV is calculated by reference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

Sales Analysis	1H19	1H18	YoY change	FY18
<u>Resales</u>				
Villas / Apartments	40	30	33%	72
Serviced apartments	95	68	40%	144
<b>Total resales</b>	<b>135</b>	<b>98</b>	<b>38%</b>	<b>216</b>
Value \$m	42.1	27.9	51%	67.0
<b>Av. value per resale \$000</b>	<b>312</b>	<b>285</b>	<b>9%</b>	<b>310</b>
Resale gains \$m	9.1	5.2	74%	13.3
Resale margin %	22%	19%	3%	20%

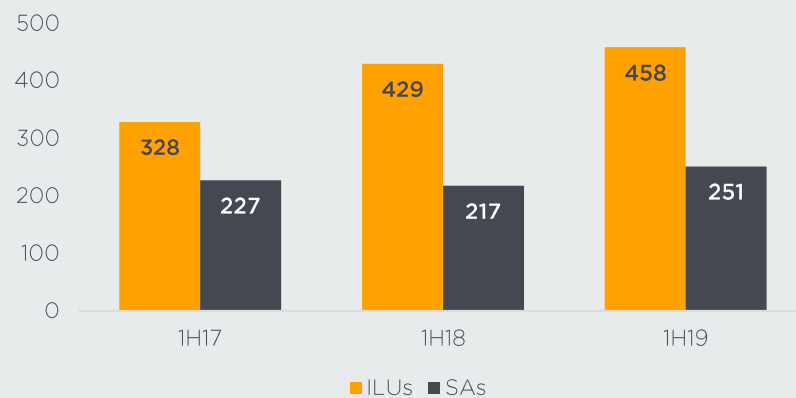
### Commentary

- Resale of 135 units, 38% up on 1H18
- Occupancy remains high, with around 45 units available for resale or less than 2% of the total portfolio
- Gross proceeds of \$42.1m, with average value per resale up 9% to \$312k
- Realised \$9.1m of resale gains and an improvement in resale margins to 22%
- For the six months, the total sales price was 5.2% above the unit pricing assumed in 31 March 2018 independent valuations
- DMF realised on resales was \$5.5m

### Resale Volumes and Margins



### Average Resale Prices (\$000)



Note, the figures above include Village at the Park. A table is appended that excludes Village at the Park from the above.



# REPORTED PROFIT (IFRS)

NZ\$m (Unaudited)	1H19	1H18	YoY change	FY18
Care & village service fees	62.7	49.9	26%	109.9
Deferred management fees	10.4	8.4	23%	18.1
Other revenue	2.6	1.7	54%	4.3
<b>Total revenue</b>	<b>75.7</b>	<b>60.0</b>	<b>26%</b>	<b>132.3</b>
Changes in fair values	24.5	8.6	185%	42.0
Share of profit arising from JV (net of tax)	0.7	-	Nm	5.1
<b>Total income</b>	<b>100.9</b>	<b>68.6</b>	<b>47%</b>	<b>179.4</b>
Operating expenses	(63.9)	(48.5)	31%	(108.8)
Depreciation	(2.4)	(1.9)	32%	(4.3)
<b>Total expenses</b>	<b>(66.3)</b>	<b>(50.4)</b>	<b>32%</b>	<b>(113.1)</b>
<b>Operating profit</b>	<b>34.6</b>	<b>18.2</b>	<b>90%</b>	<b>66.3</b>
Financing costs	(1.7)	(0.9)	90%	(2.2)
Impairment of goodwill	-	-	-	(1.2)
One-off items	(0.2)	(0.3)	(37%)	(1.0)
<b>Profit before income tax</b>	<b>32.7</b>	<b>17.0</b>	<b>92%</b>	<b>61.9</b>
Income taxation	(2.2)	(2.5)	(14%)	(4.3)
<b>Net profit after tax</b>	<b>30.5</b>	<b>14.5</b>	<b>111%</b>	<b>57.6</b>

## Commentary

- NPAT of \$30.5m more than double the same period last year
- Higher operating revenue of \$75.7m reflects a combination of acquisitions made in 2H18 (\$11.6m) and continued strong occupancy and growing fees from the core portfolio (\$3.7m)
- Changes in fair value predominantly driven by strong increase in the value of retirement villages that have been recently acquired (\$11.6m) or that delivered new stock during the year (\$7.4m). A breakdown is appended
- Operating expenses increased due to the new acquisitions (\$9.5m), higher village wages mainly from pay equity settlement (\$3.4m), higher general village expenses (\$1.5m) and higher head office costs (\$1.0m)

Head Office Costs	1H19	1H18
Employee costs	2.6	2.0
Other	1.8	1.4
<b>Total expense</b>	<b>4.4</b>	<b>3.4</b>
Capitalised wages	0.7	0.5





# UNDERLYING PROFIT RECONCILIATION

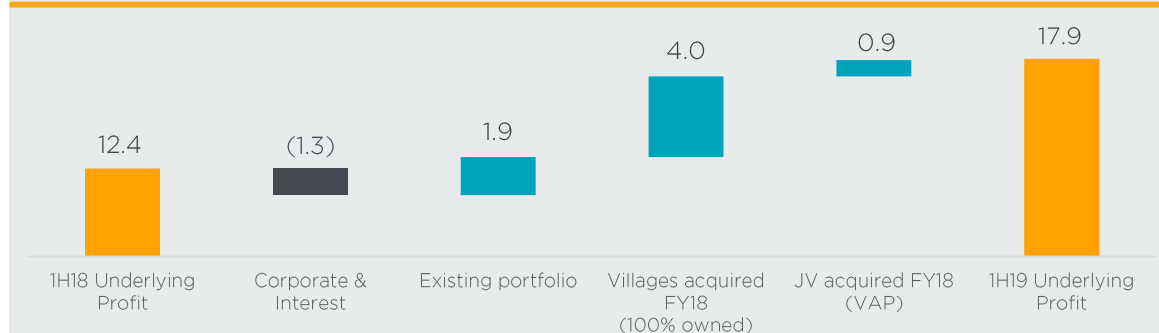
NZ\$m (Unaudited)	1H19	1H18	YoY change	FY18
Net profit after tax	30.5	14.5	111%	57.6
Less: Change in fair values	(25.0)	(8.6)	191%	(46.9)
Add: Deferred tax	0.5	0.5	2%	0.3
Add: Impairment of goodwill	-	-	-	1.2
Add: One-off costs	0.2	0.3	(37%)	1.0
<b>Underlying operating profit</b>	<b>6.2</b>	<b>6.7</b>	<b>(7%)</b>	<b>13.2</b>
Add: Gains on resales	9.1	5.2	74%	13.3
Add: Gain on sale of new units	2.6	0.5	414%	6.5
<b>Underlying profit<sup>1</sup></b>	<b>17.9</b>	<b>12.4</b>	<b>45%</b>	<b>33.0</b>

1. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. A definition is appended.

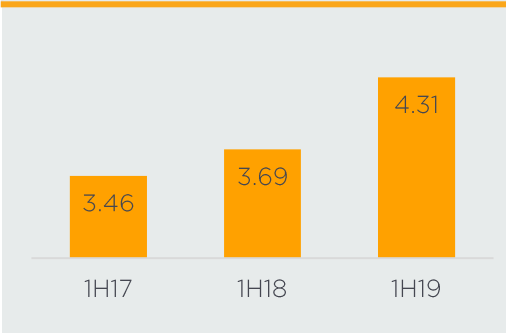
## Commentary

- Underlying Profit increased 45% to \$17.9m
- On a cents per share basis, the increase in Underlying Profit was 17%
- The key drivers were:
  - The acquisition of new villages in the prior year strongly contributed to the underlying profit; and
  - 165 sales (up 63% on 1H18) and higher resale margins drove increase in total gains (up 105% on 1H18)

## Movements in Underlying Profit NZ\$m



## Underlying Profit (cents per share)





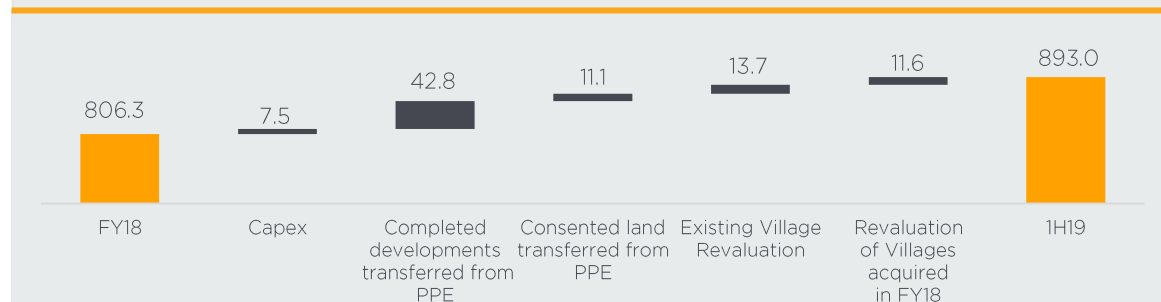
# BALANCE SHEET

NZ\$m (Unaudited)	1H19	FY18	1H18
Cash and cash equivalents	2.5	3.1	1.9
Property, plant and equipment	206.7	225.4	189.9
Investment property	893.0	806.3	585.7
Investment in JV	21.8	21.2	-
Intangibles	55.6	55.7	51.1
Other assets	23.3	20.8	18.7
<b>Total assets</b>	<b>1,202.9</b>	<b>1,132.5</b>	<b>847.3</b>
External debt	149.6	122.2	109.6
Residents' loans	435.4	415.2	294.6
Deferred tax liability	28.6	30.6	21.4
Other liabilities	57.3	54.0	42.4
<b>Total liabilities</b>	<b>670.9</b>	<b>622.0</b>	<b>468.0</b>
<b>Net assets</b>	<b>532.0</b>	<b>510.5</b>	<b>378.7</b>

## Commentary

- Total asset base now in excess of \$1.2b
- A desktop review of all retirement villages valuations completed by CBRE and JLL
- The value of Investment Property increased \$86.7m (vs FY18) as a result of:
  - Fair value movements at existing and completed villages (\$25.3m)
  - Completion of development projects (\$42.8m)
- A comparison of the valuation assumptions used is contained within the appendix

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





# CAPITAL STRUCTURE

NZ\$m	1H19	1H18	YoY change	FY18
Investment property	893	586	52%	807
Less: ORA / DMF	(458)	(309)	48%	(436)
Retirement villages	435	277	64%	371
Add: Care facilities	201	178	13%	201
Independent valuation	636	455	40%	572
Add: Investment in JV	22	-	<i>nm</i>	21
Add: Work in progress	35	50	(30%)	56
<b>Implied value</b>	<b>693</b>	<b>505</b>	<b>37%</b>	<b>649</b>
Less: Net debt	(148)	(108)	37%	(119)
<b>Net implied value</b>	<b>545</b>	<b>397</b>	<b>37%</b>	<b>530</b>
Net implied value per share	\$1.32	\$1.19	11%	\$1.28

## Commentary

- Total net debt of \$148m includes development project work in progress of \$35m, development land of \$40m and inventory of \$45m
- All bank debt facility financial covenants met
- An extension to the bank debt facility limit and tenure was implemented in June 2018. The facility of \$250m is split evenly between two tranches with expiry dates of June 2021 and June 2023
- BNZ were introduced to the syndicate alongside ANZ (as the lead bank & agent)

## Bank Debt Facilities

NZ\$m	1H19	1H18	YoY change	FY18
External debt	149.6	109.6	37%	122.2
Plus: Capitalised costs	0.5	0.2	<i>nm</i>	0.3
Drawn debt	150.1	109.8	37%	122.5
Less: Cash	2.5	1.9	32%	3.1
<b>Total Net Debt</b>	<b>147.6</b>	<b>107.9</b>	<b>37%</b>	<b>119.4</b>
Gearing (ND / ND + E)	22%	22%	-	19%

## Bank Covenants

	Actual	Covenant
Interest cover	4.5x	2.25x
Loan to value	23.6%	50%



# CASH FLOWS

NZ\$m (Unaudited)	1H19	1H18	YoY change	FY18
Receipts from residents for care fees and village services	65.4	49.5	32%	113.1
Residents' loans from resales	35.6	24.4	46%	63.3
Residents' loans from new sales	15.6	1.2	<i>nm</i>	27.9
Repayment of residents' loans	(20.4)	(12.1)	68%	(37.7)
Payments to suppliers and employees	(66.6)	(46.9)	42%	(106.3)
Other operating cash flows	0.0	1.5	(95%)	0.1
Financing costs	(1.6)	(0.7)	126%	(1.9)
Taxation	(2.0)	(2.4)	(18%)	(4.6)
<b>Net cash flow from operating activities</b>	<b>26.0</b>	<b>14.5</b>	<b>80%</b>	<b>53.9</b>
Bank overdraft acquired from subsidiaries	-	-	-	3.0
Purchase of investment property	(6.1)	(8.1)	(24%)	(12.1)
Purchase of property, plant and equipment	(34.9)	(33.3)	5%	(66.2)
Payments for investments in subsidiaries	-	-	-	(43.8)
Net advances to joint venture	-	-	-	(11.9)
Net insurance claim proceeds	-	0.1	<i>nm</i>	0.0
Capitalised interest paid	(1.2)	(0.8)	56%	(1.9)
<b>Net cash flow from investing activities</b>	<b>(42.2)</b>	<b>(42.1)</b>	<b>1%</b>	<b>(132.9)</b>
Proceeds from borrowings	27.6	36.3	(24%)	24.5
Net proceeds of share issue	-	-	-	76.9
Dividends paid	(11.9)	(7.8)	53%	(17.2)
Transaction costs	(0.2)	(0.3)	(37%)	(3.3)
<b>Net cash flow from financing activities</b>	<b>15.5</b>	<b>28.2</b>	<b>(45%)</b>	<b>80.9</b>

Capital Expenditure	
NZ\$m	1H19
Acquisitions	5.7
Purchase of furniture & fittings	2.0
Development capital expenditure	28.4
ILU refurbishment	1.7
SA unit refurbishment	1.2
Care facility refurbishment	0.3
General building works	1.0
Care suite upgrades	0.2
Unit title buybacks	1.6
Adjustment for accruals	0.1
<b>Total capital expenditure</b>	<b>42.2</b>
<i>Is represented by:</i>	
Purchase of PPE	34.9
Purchase of investment property	6.1
Capitalised interest	1.2
<b>Net cash from investing activities</b>	<b>42.2</b>

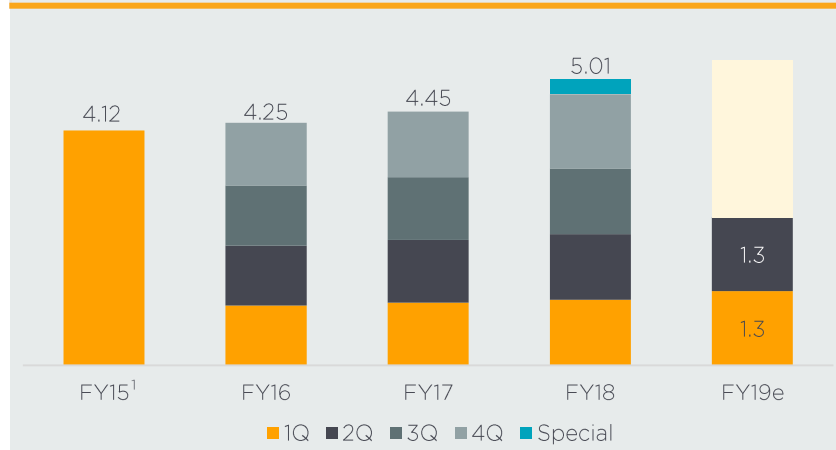


# DIVIDEND AND OUTLOOK

## Commentary

- 2Q dividend for FY19 of 1.3 cps declared:
  - Brings total dividend for 1H19 to 2.6 cps, 13% up on the corresponding prior period
- Record date for entitlement is 12 December 2018, payment on 20 December 2018:
  - Ordinary dividend partially imputed with 0.25 cps of imputation credits and supplementary dividend of 0.11 cps payable for non-resident shareholders
- Current quarterly dividend sustainable for FY19
- The business is continuing to perform well, with a growing base of recurring earnings underpinning performance

## Dividend (cents per share)



## Sector Challenges

- Labour supply and cost pressures, particularly in relation to nurses. We are active with industry bodies to ensure funding levels fairly compensate increased wage costs and support targeted changes to immigration policy
- Softening residential housing, particularly in Auckland and Christchurch. We continue to monitor the impacts on the construction market and land prices
- The announcement of a Royal Commission into Australia aged care quality and safety provides a reminder of the need for best practice governance structures

## Business Outlook

- The team-led delivery of The Attitude of Living Well care model is critical to our strategy and will continue to be refined over time
- Our high level of care occupancy is a direct outcome of the care delivery and investing in our people, our facilities and our systems
- The development pipeline provides the platform for future growth in earnings and, with a significant pipeline in place, the business is looking forward to increased delivery rates over the coming years
- Sales momentum is expected to continue in the second half with growth in resale activity and the sell down of newly completed units

1. Annualised. Arvida paid a dividend of 1.03 cps in respect of the FY15



## APPENDIX



# PORTFOLIO AT 30 SEPT 2018

	Village	Region	Villas	Apts	SA	CS	RH	H	D	2H19	FY20	FY21+^
1	Kerikeri Site	Kerikeri	-	-	-	-	-	-	-	-	15	265
2	Aria Bay Retirement Village	Auckland	-	34	24	-	57	-	-	-	-	117 (64)
3	Aria Gardens	Auckland	-	-	-	-	42	91	20	-	-	-
4	Aria Park Retirement Village	Auckland	-	-	46	-	40	44	-	-	-	95
5	Cascades Retirement Village	Hamilton	-	5	32	-	45	32	-	-	-	90
6	Lauriston Park Retirement Village	Cambridge	171	-	-	-	-	-	-	-	12	90
7	Views Lifecare	Tauranga	-	-	-	-	30	38	20	-	-	-
8	Copper Crest Retirement Village	Tauranga	135	-	-	-	-	-	-	19	5	79
9	Glenbrae Village	Bay of Plenty	78	-	26	-	17	21	-	-	10	12
10	Mary Doyle Lifecare	Havelock North	145	48	38	7	26	60	64	9	15	17
11	Olive Tree Village and Olive Tree Apartments	Palmerston North	95	-	48	-	28	-	17	-	-	-
12	Molly Ryan Retirement Village	New Plymouth	35	-	28	-	20	13	-	-	-	-
13	Waikanae Country Lodge Village	Kapiti Coast	4	-	20	-	21	36	-	-	-	-
14	Lansdowne Park Lifestyle Village	Masterton	69	-	29	-	29	21	-	-	-	-
15	Village at the Park Lifecare #	Wellington	38	106	-	10	-	42	33	-	24	16
16	Ashwood Park Retirement Village	Blenheim	18	-	35	-	47	48	26	-	-	-
17	The Wood Retirement Village	Nelson	5	-	37	-	30	46	-	-	-	-
18	Oakwoods Retirement Village	Nelson	116	-	45	-	26	22	-	-	-	-
19	Waimea Plains Retirement Village	Richmond	-	-	-	-	-	-	-	-	34	233
20	Bainlea House	Waimakariri	-	-	-	-	-	-	27	-	-	-
21	Bainswood on Victoria	Waimakariri	-	-	-	-	26	32	-	-	-	-
22	Bainswood Retirement Village	Waimakariri	4	-	14	-	26	-	-	-	-	-
23	Wendover Retirement Village ^	Christchurch	-	-	11	-	43	-	-	-	-	60
24	St Albans Retirement Village ^	Christchurch	-	-	53	-	-	18	-	-	25	20
25	Ilam Lifecare	Christchurch	-	-	45	-	22	34	20	-	-	-
26	Mayfair Retirement Village	Christchurch	11	-	23	-	28	36	-	-	-	-
27	Maples Retirement Village	Christchurch	-	-	25	-	49	3	-	-	-	-
28	St Allisa Rest Home	Christchurch	-	-	-	-	55	34	20	-	-	-
29	Park Lane Retirement Village	Christchurch	8	29	45	-	26	16	-	-	-	50
30	Rhodes on Cashmere	Christchurch	-	16	-	-	-	-	-	23	-	50
31	Strathallan Lifecare	Timaru	51	-	47	-	10	46	20	-	-	-
	<b>TOTALS</b>		<b>983</b>	<b>238</b>	<b>671</b>	<b>17</b>	<b>743</b>	<b>733</b>	<b>267</b>	<b>51</b>	<b>140</b>	<b>1,194</b>

^ Gross units expected to be delivered (expected decommissions shown in brackets). Subject to final investment decision approval.

# Arvida has a 50% interest in Village at the Park.





# VALUATION SUMMARY

\$'000						
Village	Region	Valuer	RV Valuation at 30 Sept	Fair Value Movement	Discount Rate	Embedded Value
Aria Bay Retirement Village	Auckland	CBRE	38,100	4,803	14.5%	7,233
Aria Gardens	Auckland	-	-	-	-	-
Aria Park Retirement Village	Auckland	JLL	18,560	1,195	13.5%	10,467
Cascades Retirement Village	Hamilton	CBRE	14,400	104	14.3%	5,520
Lauriston Park Retirement Village	Cambridge	CBRE	45,500	800	13.8%	37,356
Views Lifecare	Tauranga	-	-	-	-	-
Copper Crest Retirement Village	Tauranga	CBRE	43,300	2,228	14.0%	29,936
Glenbrae Village	Bay of Plenty	CBRE	15,050	820	16.0%	10,973
Mary Doyle Lifecare	Havelock North	CBRE	56,800	10,162	15.0%	44,249
Olive Tree Village and Olive Tree Apartments	Palmerston North	CBRE	14,950	(611)	15.5%	10,406
Molly Ryan Retirement Village	New Plymouth	JLL	9,600	1,018	15.5%	6,209
Waikanae Country Lodge Village	Kapiti Coast	CBRE	2,650	99	16.0%	1,144
Lansdowne Park Lifestyle Village	Masterton	JLL	20,705	418	13.8%	14,095
Ashwood Park Retirement Village	Blenheim	JLL	8,770	156	13.8%	3,804
The Wood Retirement Village	Nelson	CBRE	8,500	80	13.5%	3,045
Oakwoods Retirement Village	Nelson	CBRE	35,100	2,052	13.5%	21,102
Bainlea House	Waimakariri	-	-	-	-	-
Bainswood on Victoria	Waimakariri	-	-	-	-	-
Bainswood Retirement Village	Waimakariri	CBRE	1,550	133	15.5%	825
Wendover Retirement Village	Christchurch	CBRE	2,350	(117)	16.5%	609
St Albans Retirement Village	Christchurch	CBRE	14,550	210	14.5%	2,486
Ilam Lifecare	Christchurch	JLL	10,775	(172)	12.3%	3,802
Mayfair Retirement Village	Christchurch	JLL	6,600	309	14.5%	2,901
Maples Retirement Village	Christchurch	CBRE	4,050	(230)	15.5%	2,276
St Allisa Rest Home	Christchurch	-	-	-	-	-
Park Lane Retirement Village	Christchurch	CBRE	29,400	328	14.5%	4,776
Rhodes on Cashmere	Christchurch	CBRE	7,950	102	15.5%	4,340
Strathallan Lifecare	Timaru	CBRE	15,300	1,390	15.0%	10,251
<b>Total for developed villages</b>			<b>424,510</b>	<b>25,279</b>		<b>237,805</b>
Waimea Plains Retirement Village	Richmond	CBRE	11,150	6	n.a	n.a
<b>Total for consolidated villages</b>			<b>435,660</b>	<b>25,285</b>		<b>237,805</b>
<b>Joint Venture:</b>						
Village at the Park Lifecare #	Wellington	CBRE	36,700	835	14.5%	19,375

# Arvida has a 50% interest in Village at the Park.



# VALUATION INPUTS FOR ILUs

\$'000				Valuer Growth Rate Assumptions						
Village	No. of Units	Ave. Ingoing Price	Ave. Current Price	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5+	Ave. Resident Age	Tenure
Aria Bay Retirement Village	34	837	925	0.0%	1.0%	2.0%	3.0%	3.5%	80.5	7.8
Aria Gardens	-	-	-	-	-	-	-	-	-	-
Aria Park Retirement Village	-	-	-	-	-	-	-	-	-	-
Cascades Retirement Village	5	472	619	0.0%	0.0%	1.0%	2.0%	3.5%	83.4	7.4
Lauriston Park Retirement Village	171	410	555	0.0%	0.5%	1.5%	2.5%	3.5%	78.9	8.8
Views Lifecare	-	-	-	-	-	-	-	-	-	-
Copper Crest Retirement Village	135	513	662	0.0%	1.0%	2.0%	2.5%	3.5%	77.2	9.1
Glenbrae Village	78	262	370	0.5%	1.0%	1.5%	2.5%	3.0%	85.2	7.6
Mary Doyle Lifecare	193	383	537	0.0%	1.0%	2.0%	2.5%	3.5%	83.5	8.2
Olive Tree Village and Olive Tree Apartments	95	371	424	0.0%	0.5%	0.5%	2.0%	3.0%	81.7	8.6
Molly Ryan Retirement Village	35	323	416	2.0%	2.3%	2.3%	2.5%	3.0%	86.2	7.0
Waikanae Country Lodge Village	4	410	464	0.0%	1.0%	1.5%	2.0%	3.0%	81.9	8.1
Lansdowne Park Lifestyle Village	69	401	518	2.0%	2.0%	2.3%	2.5%	3.0%	81.8	8.0
Ashwood Park Retirement Village	18	282	319	2.0%	2.3%	2.5%	2.8%	3.3%	85.7	6.8
The Wood Retirement Village	5	419	516	0.5%	1.0%	2.0%	3.0%	3.5%	86.3	5.9
Oakwoods Retirement Village	116	380	469	0.5%	1.0%	2.0%	2.5%	3.5%	81.3	8.3
Bainlea House	-	-	-	-	-	-	-	-	-	-
Bainswood on Victoria	-	-	-	-	-	-	-	-	-	-
Bainswood Retirement Village	4	253	286	0.0%	1.0%	2.0%	2.5%	3.0%	84.4	7.1
Wendover Retirement Village	-	-	-	-	-	-	-	-	-	-
St Albans Retirement Village	-	-	-	-	-	-	-	-	-	-
Ilam Lifecare	-	-	-	-	-	-	-	-	-	-
Mayfair Retirement Village	11	360	420	1.5%	1.8%	2.3%	2.8%	3.3%	83.7	7.0
Maples Retirement Village	-	-	-	-	-	-	-	-	-	-
St Allisa Rest Home	-	-	-	-	-	-	-	-	-	-
Park Lane Retirement Village	37	580	593	0.0%	1.0%	2.0%	3.0%	3.5%	79.8	7.6
Rhodes on Cashmere	16	485	653	1.0%	1.5%	2.0%	3.0%	3.5%	83.9	8.2
Strathallan Lifecare	51	359	424	0.5%	1.0%	2.0%	2.5%	3.0%	83.6	7.9
Waimea Plains Retirement Village	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Village at the Park Lifecare #	154	414	469	0.5%	1.5%	2.0%	2.5%	3.5%	82.2	7.5

# Arvida has a 50% interest in Village at the Park.



# VALUATION INPUTS FOR SERVICED APTS

\$'000				Valuer Growth Rate Assumptions						
Village	No. of SAs	Ave. Ingoing Price	Ave. Current Price	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5+	Ave. Resident Age	Tenure
Aria Bay Retirement Village	24	355	469	0.0%	1.0%	2.0%	3.0%	3.5%	89.6	4.5
Aria Gardens	-	-	-	-	-	-	-	-	-	-
Aria Park Retirement Village	46	443	554	1.5%	2.0%	2.5%	2.8%	3.5%	85.3	5.0
Cascades Retirement Village	32	302	374	0.0%	0.0%	1.0%	2.0%	3.5%	86.2	4.7
Lauriston Park Retirement Village	-	-	-	-	-	-	-	-	-	-
Views Lifecare	-	-	-	-	-	-	-	-	-	-
Copper Crest Retirement Village	-	-	-	-	-	-	-	-	-	-
Glenbrae Village	26	189	231	0.0%	0.0%	1.0%	2.5%	3.0%	87.6	4.3
Mary Doyle Lifecare	45	159	214	0.0%	1.0%	2.0%	2.5%	3.0%	87.2	4.5
Olive Tree Village and Olive Tree Apartments	48	192	198	0.0%	0.5%	0.5%	2.0%	2.5%	88.7	4.3
Molly Ryan Retirement Village	28	192	214	2.0%	2.3%	2.3%	2.5%	3.0%	88.6	4.5
Waikanae Country Lodge Village	20	205	247	0.0%	1.0%	1.5%	2.0%	2.5%	84.8	4.9
Lansdowne Park Lifestyle Village	29	230	273	2.0%	2.0%	2.3%	2.5%	3.0%	87.1	5.0
Ashwood Park Retirement Village	35	184	198	2.0%	2.3%	2.5%	2.8%	3.3%	88.2	4.0
The Wood Retirement Village	37	202	225	0.5%	1.0%	2.0%	3.0%	3.5%	88.8	4.3
Oakwoods Retirement Village	45	235	250	0.5%	0.5%	1.5%	2.5%	3.5%	86.6	4.5
Bainlea House	-	-	-	-	-	-	-	-	-	-
Bainswood on Victoria	-	-	-	-	-	-	-	-	-	-
Bainswood Retirement Village	14	142	154	0.5%	1.0%	2.0%	2.0%	2.5%	88.2	4.3
Wendover Retirement Village	11	190	205	0.5%	1.0%	2.0%	3.0%	3.5%	88.5	4.2
St Albans Retirement Village	53	207	252	1.0%	1.5%	2.0%	3.0%	3.5%	88.6	4.4
Ilam Lifecare	45	249	282	1.5%	1.8%	2.3%	2.8%	3.3%	88.2	4.0
Mayfair Retirement Village	23	240	265	1.5%	1.8%	2.3%	2.8%	3.3%	87.5	4.0
Maples Retirement Village	25	181	238	0.5%	1.0%	2.0%	3.0%	3.5%	88.2	4.3
St Allisa Rest Home	-	-	-	-	-	-	-	-	-	-
Park Lane Retirement Village	45	239	265	0.5%	1.0%	1.5%	2.5%	3.0%	85.1	4.8
Rhodes on Cashmere	-	-	-	-	-	-	-	-	-	-
Strathallan Lifecare	47	229	259	0.5%	1.0%	2.0%	2.5%	3.0%	87.2	3.9
Waimea Plains Retirement Village	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Village at the Park Lifecare #	-	-	-	-	-	-	-	-	-	-

# Portfolio metrics presented as if a 100% interest held. Arvida has a 50% interest in Village at the Park.



# ADDITIONAL DISCLOSURE

## Sales Analysis excluding Village At The Park

1H19	Resales		New Sales	
	Units	\$000	Units	\$000
Villas / Apartments	39	17,787	24	15,583
Serviced Apartments	88	21,295	1	230
<b>Total Sales</b>	<b>127</b>	<b>39,082</b>	<b>25</b>	<b>15,813</b>
Value \$m	39.1		15.8	
<b>Av. value per sale \$000</b>	<b>308</b>		<b>633</b>	
Gains \$m	8.8		2.4	
Margin %	23%		15%	



# 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.



# IMPORTANT NOTICE

## Disclaimer

The information in this presentation has been prepared by Arvida Group Limited with due care and attention. However, neither the Company nor any of its directors, employees, shareholders nor any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

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A number of non-GAAP financial measures are used in this presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the unaudited consolidated financial statements for the six months ended 30 September 2018, which will be made available at [www.arvida.co.nz](http://www.arvida.co.nz).

Forward-looking statements are subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances.

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