



NZX RELEASE

CHAIR'S ADDRESS TO THE ANNUAL MEETING OF SHAREHOLDERS

5 July 2019

Twelve months ago, I spoke about Arvida being well placed to continue to grow and deliver enhanced financial performance having established a national platform with a modest corporate support structure.

For Arvida, FY19 was a year in which we bedded down the significant growth that had taken place across the organisation over the previous four and a half years. During this relatively short period, we had transformed from a small capital company owning 18 villages to one of the larger operators of retirement villages in New Zealand.

The challenge in such a transformation is creating a positive like-minded culture that embraces a set of common core values. Bill will share with you the significant achievements, measured by external surveys of staff and residents, that confirms progress made.

The Attitude of Living Well is the core principle through which we will enhance the customer experience. This is the Arvida point of difference that we will build on for the benefit of our residents and for our local communities. Ultimately our success will be judged by the services we provide and how we can add to the quality of life of those people with whom we engage.

There has been market commentary on the slowing of New Zealand's economic growth, house price growth and demands for wage increases across the public sector. The aged care sector is not immune from these issues given it forms a component of the property market and is a significant employer of nurses and health care workers.

While the residential housing market continued to soften in Auckland and Christchurch and similar trends were evident in the Australian market, demand for accommodation within our villages remained strong over the year with occupation right sales up 11 percent on the prior year. Pricing and margins also firmed. Vacancy of resale stock across our villages continued to be low at less than 2 percent and we effectively ran out of stock to resell in the third quarter of last year.

While we continue to monitor the property sector outlook, the regional diversification of our portfolio, high needs-based offering and high quality facilities will, we believe, support favourable customer demand.

With good momentum across the business in the last year, we reported a 17 percent increase in underlying profit to \$39 million.

57 percent of underlying profit was distributed to shareholders in 2019, bringing the total cash dividend paid to 5.35 cents per share or a 9 percent lift on the prior year.

The Board believes the current dividend policy to be sustainable.

113 new homes were completed by our development team in the year. This was up from the 97 completed in the prior year and we set a target build rate for the 2020 financial year of 170 new homes.

As Bill will cover in his review, we have development in progress across eleven sites currently and these are tracking to plan.

With the significant activity progressing and planned within the Waikato and Bay of Plenty regions, we brought head contractor functions in-house last year. This model is working well, with the benefit of greater project oversight assisting to manage delivery to timeframes and cost control.

An internal construction risk committee to support our progression into greater construction functions was established with external specialist oversight.

As you are aware, we announced a major transaction on 25 June to acquire three village complexes from the Sanderson Group. It includes the transition of the Sanderson Group development team to Arvida.

The two Tauranga villages and the Queenstown village are high quality facilities that meet our criteria in terms of location and ability to deliver to our strategy. The properties include 326 existing villas and capacity for a further 500 units to be developed.

This gives us immediate earnings accretion and expands our development pipeline across the business for the next 6 or 7 years. It immediately lifts our target build rate this year to 200 new homes. Bill will talk to the merits of this acquisition in his presentation.

Details of the transaction and funding structure have been provided to shareholders and offer documentation for the rights offer was mailed yesterday so should be in your hands shortly.

Market response has been positive, and we are confident of a favourable capital raising outcome.

We will, post the completion of the announced transaction, have the scale and portfolio mix to meet our objectives for some years. Funding is in place for the continued development of our villages as well as some capacity for future greenfield sites that meet our criteria.

We are excited about the opportunities we see in delivering the Attitude of Living Well. Creating environments that focus on the well-being of our residents, investing in giving our staff the skills and commitment to meet stakeholder expectations and being an inclusive member of our communities are goals that we consider worthy.

The quality of our portfolio of villages and development plans for brownfield and greenfield sites will reflect the Arvida approach to future care provision.

In other matters, we sought an external review of Board skills and performance earlier this year and the report was positive. We do need to address rotation of Board members in future years and discussions have commenced to agree a process. This may include an additional appointment ahead of retirements to smooth the transition given we are a five member Board.

Our Annual Report includes our move towards integrated reporting where we can share our progress on our non-financial goals. We are clearly in a business that wants to be providing strong social and community links and play our part as an environmentally responsible entity.

Progress has been made on many fronts over the last year and that is a reflection of a dedicated management team and committed staff at all villages. I thank my Board colleagues for their contribution to what has been a team effort.

- ENDS –

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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 has over 4,000 residents and provides a range of accommodation across 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