NZX RELEASE
ARVIDA GROUP LIMITED FY24 PROFIT RESULTS

- IFRS net profit after tax of $139m, up 69%
- Underlying profit[1] of $85 million, down 3%
- Gross value sales of $427 million, up 13%
- 201 new units delivered, including 144 villas
- Total assets of $4.2 billion, up 12%
- Gearing at 33.9%
- NTA at $2.05 per share

28 May 2024 – Retirement village operator Arvida Group Limited today announced a full year net profit after tax (IFRS) of $139 million and underlying profit for the year ending 31 March 2024 of $85 million. Results include the impact of record unrealised movements in the fair value of investment property.

Operating Performance

Commenting on the performance Arvida CEO Jeremy Nicoll said it was encouraging to see our business performance in the later part of the financial year starting to recover following a period of challenging property and macroeconomic conditions. High inflation, high interest rates and a slow residential property market had impacted cash flow generation from operations.

Good progress with revenue uplift and cost out strategies had been made during the year to improve cash flow and profit performance.

Mr Nicoll said, "We are making a concerted effort to reduce our operating costs, with firm internal targets. Operating efficiency initiatives identified an initial $10 million of annualised cost out benefits to be delivered in the coming financial year."

"An equal effort has been placed on increasing our revenue sources from other than the sale of retirement village units. This resulted in improved revenues from a review of weekly fees, service packages and premium care charges."

Mr Nicoll noted there was more work to be completed in this area with a plan to introduce an annual uplift mechanism for weekly fees for new residents this year. A number of initiatives are in progress that will simplify and deliver improved operational performance.

A recovery in care occupancy to 94% helped restore contributions from care operations. Arvida has been underway for a number of years with a strategy to build care capacity under the care suite model, with government funding of the aged-care sector remaining challenging. Arvida supports the government's commitment to the future of aged care, with the recently announced select committee inquiry into the provision of aged care services and Health NZ's current review of funding and service models.

Strategic initiatives to mature critical operational areas of the business progressed over the year. Implementation of the 3-year people strategy is lifting the culture and capability of Arvida's team. It is pleasing to note that mid way through the programme the improvements are evident in increased team engagement, lower turnover rates, and greater retention of our experienced people.

"We have also once again delivered excellent results in our resident satisfaction surveys reinforcing that our value proposition remains strong for existing and incoming residents."

“Notwithstanding the soft residential house market, we delivered a record sales performance reporting a 13% lift in the gross value of sales to $427 million, and a 11% increase in the number of units settled. We continue to experience record levels of applications,” Mr Nicoll said.

Unit prices on settled resales over the year were on average 4.7% higher than last year’s independent valuations. The capture and creation of embedded value is a key indicator of expected future cash flows. Over the year the embedded value increased to $1.3 billion, up 11%.

Capital Structure Preserved

The Board and management placed considerable focus on ensuring a robust framework continued to be applied to capital commitments and the preservation of headroom in Arvida’s capital structure.

Key priorities identified at the beginning of the year highlighted the critical importance of ensuring development commitments were managed to funding capacity limits and that cash returns from development activities were cash positive going forward.

The development programme was repositioned to reduce cash outflow, while also meeting a build target of delivering 201 new homes in the 2024 financial year. The majority of these deliveries were villas spread across six communities. A development milestone was reached with the completion of the final stage of 57 apartments and redevelopment of the Aria Bay site in Auckland.

In the year ahead, Arvida is targeting a build rate of 140-150 new homes, including the delivery of a new care suite and apartment building at the Queenstown Country Club community. The build rate has been reduced to balance the expected gross value from new sales against the costs incurred on construction.

“We are committed to building out our existing developments, where we continue to achieve development margins as new units are added. The immediate focus is on completing developments at our premium sites that have significant embedded value,” said Mr Nicoll.

The consented development pipeline grew over the year with the planned broad acre development at Lincoln achieving its resource consent through the Fast Track process. In total the future development pipeline comprises 1,877 units, with the majority from greenfield development activity.

Mr Nicoll said, "we continue to look for opportunities to expand our portfolio and grow our business.”

“A rigorous review of development return thresholds that are expected from any new greenfield project is applied. This means that we limit our development debt by ensuring the growth is fully funded by the recycling of capital from the sale of new units.”

Mr Nicoll said Arvida also implemented a dedicated development debt facility during the year to allow for growth to be debt funded within a framework while focusing on reducing core debt. To increase its capital structure headroom, core debt reduction initiatives totalling $200 million have been identified, in isolation. Initiatives include the sale of surplus development land from existing greenfield sites, reduction of stock held for sale, suspension of dividends and pursuing the insurance claim for losses sustained from the Auckland floods. Lower core debt will position Arvida to deliver a sustainable level of growth and dividends going forward.

Gearing at 34% remained within the Board’s target range and represented the lowest gearing of listed retirement sector peers. Total assets increased 12% from last year to $4.2 billion.

Settlement of the $30 million sale of Strathallan retirement village in Timaru occurred on 30 April 2024. The transaction was completed at a 1% discount to the 31 March 2024 valuation.

Value Recognition

The Board is underway with a programme to assess and execute a range of available options to accelerate the recognition of Arvida's intrinsic value for shareholders.

"We are taking a balanced approach with a view to ensuring the interests of our shareholders, residents and team members are at the forefront," said Arvida Chair, Anthony Beverley.

Arvida is well underway with an operating cost-out and revenue capture programme along with strategies to optimise the village portfolio, reduce core debt and balance development expenditure to generate cash returns.

With the assistance of advisors, Arvida is also considering a range of alternative options to accelerate value recognition that includes engaging with other market participants on various capital partnerships, restructuring options and strategic alternatives for the Company.

Mr Beverley, said "The programme is seeking to ensure Arvida is well positioned to maximise shareholder value on a standalone basis, as well as providing outstanding service to our many residents and keeping our team members fully engaged in delivering a quality retirement living experience."

Arvida will keep shareholders and the broader market updated with progress on this important initiative, as and when appropriate.

While the valuation recognition programme is underway, the Board has paused the dividend policy, advising that no dividend has been declared for the second half of the 2024 financial year. While the dividend is suspended, the Board will consider a revised dividend policy, including alternative metrics for the determination of future dividends payouts.

Demand for retirement living remains strong supported by an ageing population tailwind. Arvida continues to be well positioned to benefit as market conditions improve providing outstanding resident experiences in retirement living and aged care.

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About Arvida:
Arvida is one of New Zealand's largest aged care providers owning and operating 35 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 a range of living and lifestyle options from independent living to full rest home, hospital and dementia-level care.

Arvida's growth strategy includes the targeted development of new villages in areas that are supported by a strong demographic and economic profile and acquisition of quality villages that meet strict acquisition criteria as well as the development of additional facilities at existing villages.

Arvida is listed on the NZX (NZX: ARV). Website: **www.arvida.co.nz**

Summary financial performance

NZ$ million	FY24	FY23	FY22
Total revenue	247.2	222.0	201.7
Net profit after tax (IFRS)	139.4	82.5	198.9
Operating EBITDA[1]	95.2	83.6	64.6
Underlying profit[2]	85.4	88.0	73.5
Net operating cash flow	144.4	148.3	151.8
Total assets	4,204.8	3,762.0	3,396.9

[1] Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in 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. A reconciliation is included within the Results Presentation.

[2] Operating EBITDA is a non-GAAP unaudited financial measure that adds back interest and depreciation to Underlying Profit and excludes gains on sale of new units.