

30 May 2022

Strong FY22 Result and Property Purchases Position Radius for Continuing Growth

Financial highlights:

- Total income: \$135.9m, up 7.8%.
- IFRS Net profit after tax: \$2.7 million, up 56.8%.
- Pre-IFRS 16 Underlying EBITDA¹: \$10.7 million, up 2.3%.
- Premium Accommodation Charging: \$6.8 million up 20.5%.
- Underlying EBITDA: \$22.3 million, down 4.7%.
- Final cash dividend: 0.55 cps takes FY22 total cash dividend to 1.05 cps.

Operational highlights

- Average occupancy for March 2022 of 92%.
- Available beds increased by 4% to 1,784.
- Portfolio of 23 facilities: 12 owned + 11 leased.
- Bed numbers in development pipeline increased from 104 to 294 and retirement units increased from 40 to 167.

Radius Residential Care Limited (Radius Care, NZX: RAD) today announced its results for the 12 months to 31 March 2022.

"Radius Care delivered strong results that were well within the guidance metrics provided in November 2021. This is an excellent performance given the challenges the year presented. It's a testament to the resilience of our business model and the amazing dedication of our people. They continued to excel in their jobs irrespective of the various challenges provided by lockdowns, rostering pressures as colleagues isolated and supply chain disruptions" said Andrew Peskett, Chief Executive.

"FY22 was also notable for the significant property transactions undertaken. We now have a development pipeline of 294 additional beds. We're delighted that the majority of these are likely to be our new care suite product where residents buy an Occupation Right Agreement (ORA). There's been a high level of interest in this offering and we're looking forward to introducing it to the market".

People

During the half year Andrew Peskett was appointed as CEO and Wendy Jenkins was announced as Radius Care's CFO with a July 2022 start date. Andrew is a very experienced senior executive and came to Radius Care after 14 years at Metlifecare including being appointed as Acting CEO in 2021 following the company's takeover by EQT. Wendy is a proven leader who will bring significant commercial acumen and listed company experience to the team. These appointments have helped to refresh the executive team that will both lead Radius Care and provide support to the 1,600+ staff who deliver every day to the tag line of *Exceptional People, Exceptional Care*.

¹ Underlying EBITDA is a non-GAAP, unaudited financial measure and differs from NZ IFRS net profit after tax. A reconciliation is included within the Investor Presentation accompanying this release.

“I’ve spent a lot of time recently visiting our superb care homes. It’s a pleasure to engage with our residents and staff. My overwhelming sense is that our residents and their families are highly appreciative of the high levels of care they receive and our staff treat our residents with enormous levels of respect and as members of their own family. This strong bond makes for a very special culture that is difficult to replicate,” said Mr Peskett.

Financial performance

Revenue from care services increased 8.9% for the year to \$132.1m. Total income was \$135.9m, up 7.8%.

Reported profit for the year was \$2.7m compared with \$1.7m in the prior year. Pre-IFRS Underlying EBITDA for the year was \$10.7m, up from \$10.5m in FY21. Underlying EBITDA for the year was \$22.3m, compared to the \$23.4m earned in FY21.

Underlying EBITDA² per bed increased 1.8% from \$19.5k in FY21 to \$19.9k, significantly greater than the industry average and several of Radius’s major competitors. Continuing growth in this key metric is expected.

Wage pressure was reflected in employee costs increasing 10.6% to \$82.4m. Other expenses increased 6.7% to \$30.2m. Total expenses increased 7.1% to \$132.9m.

At 31 March Radius Care had total assets of \$290m and \$30m of debt. Its investment property portfolio was valued at \$46m, property, plant and equipment at \$74m and right-of-use assets (or leased assets) of \$134m. Following the acquisition of four facilities from UCG Investments Limited for \$46.7m on 6 May 2022, land and buildings increased by \$46.7m and right-of-use assets reduced by \$27.1m.

Cashflow from operating activities was \$9.9m compared with \$14.5m for FY21. Net cash used in investing activities was \$52.8m compared with \$5.1m for the prior year. Net cash provided by/used in financing activities was \$42.2m compared with (\$9.0m) for FY21.

Property portfolio changes

Radius Care’s strategy is to acquire facilities it leases, acquire aged care facilities from third parties, develop new facilities and expand its existing facilities.

“We’ve executed our strategy by undertaking three large property transactions in the past ten months. In August last year we bought the land and buildings of four leased facilities in Auckland, Waikato, Taranaki and Canterbury for \$31.4m. We acquired Clare House in Invercargill from a third party for \$14.5m in November 2021. The land and buildings at a further four leased facilities were acquired for \$46.7m just after our 31 March balance date,” said Mr Peskett.

As the owner of a site, rather than lessee, Radius Care can expand and reconfigure it to best suit its needs. All these purchases were immediately earnings accretive due to borrowing costs being lower than the lease payments.

“As a result of the acquisition of the nine sites, the overall number of beds expected to be added across our portfolio has increased from 104 to 294 and independent living units from 40 to 167. That will see a very significant expansion in our product and services offerings over the next few years. These rooms will attract additional accommodation supplements, further boosting our underlying EBITDA per bed” added Mr Peskett.

Operational performance

A key performance metric for Radius Care is to increase the proportion of revenue derived from non-government contract streams. Direct private revenue paid for non-government funded services and amenities was \$14.6m, up from \$13.8m last year. As a percentage of total revenue, it amounted to 10.8%, slightly lower than 11.0% achieved last year due to lower village revaluation gains.

² Post IFRS 16

FY23 development activity

Construction of an additional 24 beds at Thornleigh Park, New Plymouth is underway. These will be completed and added to the available bed pool by March 2023. Resource consent applications have been lodged for the addition of 61 beds at Lexham Park and Taupaki Gardens. It is expected that the building work at these facilities will commence during the FY23 year.

With an overall pipeline of 294 beds, the additional beds are expected to be delivered over the next three to four years.

Labour environment

In FY22 labour costs comprised 62.0% of total operating expenses, up from 60.0% in FY21. Despite New Zealand's borders being fully reopened from 31 July, nurses (and other healthcare workers) who arrive after that date are not able to apply for residence for two years. This is an extremely unsatisfactory situation. In addition, most partners of temporary migrant workers will need to qualify for an Accredited Employer Work Visa in their own right, instead of automatically getting an open work visa with the ability to come to New Zealand from 4 July.

"Along with our industry peers, we are lobbying the Government to take another look at these decisions. The policy setting is simply not helpful in addressing the critical worker shortage we currently face. There is no logic to where the Government has decided to land in regard to allowing skilled and qualified healthcare workers to immigrate to New Zealand" said Mr Peskett.

Dividend

Radius Care's dividend policy is to distribute 50% to 70% of Available Funds From Operations (AFFO) across two payments with the payments being relatively even.

In line with the policy, a final cash dividend for FY22 of 0.55 cents per share will be paid on 22 June making a total cash dividend for the year of 1.05 cents per share. The pay-out rate of 67.5% of AFFO is near the top end of the policy range. The dividend is in line with the 1.05 cents per share in FY21. Full imputation credits will be attached, increasing the dividend to 1.46 cents per share on a gross basis.

Directors are considering the implementation of a dividend reinvestment plan in future.

Outlook

"Radius Care has been in a growth phase through FY22 and this will continue in FY23 and beyond. We expect our care business to continue to enjoy growth driven by increased bed numbers and further portfolio optimisation, including an increased focus on premium charging and providing care suite ORAs. Overall industry dynamics point to continuing demand for Radius Care's high acuity and specialist care and services from aging and unwell New Zealanders. This underpins the company's expectation of continued demand-driven growth, supporting the expansion of the aged care and retirement village offering," said Mr Peskett.

An update on FY23 performance to date will be provided at the annual shareholders meeting later in 2022.

Ends

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Radius Care was founded in 2003 and operates in the New Zealand aged care and retirement village sectors. It is a nationwide provider offering the full range of accommodation and care options giving residents the ability to "age in place". Today, Radius Care operates 23 aged care facilities, of which it owns 12 and leases 11. It also owns and operates three retirement villages and an online shop for specialist assisted-living products. The company employs over 1,600 people, including highly qualified healthcare staff who are committed to providing the very best in nursing care. Radius Care listed on NZX in December 2020. For more information visit radiuscare.co.nz or check out our Facebook page [@RadiusCareNZ](https://www.facebook.com/RadiusCareNZ).