

Radius Residential Care Limited

## ANNUAL SHAREHOLDERS' MEETING 2022

CEO's Address – Andrew Peskett

Brien has set the scene around Radius Care's strategy and growth plan. I want to tell you about my plan for delivering on the strategy and how this guides the day to day or operational side of the business that, ultimately, drives the returns on the land and buildings. Those returns then link to the income distribution and the share price.

What really drives Radius Care day-to-day and is at the heart of our operations is 1) our people and 2) our product. I'll briefly address each of these.

Firstly, our people. Our workforce numbers over 1,600 staff. These exceptional people, delivering exceptional care, are at the front line of providing care every day to some of New Zealand's most vulnerable and high needs residents. They are absolutely amazing. Radius Care's staff are our secret sauce. I believe they are a differentiator for our business over other care providers. If you've had family or friends in Radius Care facilities I'm sure you'll know this. I've been lucky to come in to an organisation with a strongly positive culture of caring and not only "can do" but "will do". Brien can rightly be very proud of the culture he has created for Radius Care – thank you Brien.

I would like to take this opportunity to publicly thank all Radius Care employees for their resilience and incredible compassion over the last couple of years that have presented significant challenges.

Brien introduced our refreshed Executive Team. We have an excellent mix of institutional knowledge and strategic thinking from our existing team members that is now being nicely complemented by the fresh thinking and ideas by our newest members Wendy and Richard. I am very pleased to be surrounded by such an excellent, cohesive team who are and will contribute significantly to our strategic growth pillars.

Our 23 facilities are located from the Bay of Islands in the north to Invercargill in the south. Brien explained why we have a preference to own rather than lease these facilities. And the nine facilities that have come under Radius Care's ownership in the past year or so have presented us with an exciting development pipeline that will substantially boost Radius Care's profile and investment characteristics.

Since June last year there have been four announcements about property acquisitions – four properties from Ohaupo Holdings, Clare House in Invercargill, four from UCG Holdings and, earlier this week we announced that we have signed an agreement to acquire the Matamata Country Lodge, settling later this month.

This acquisition is similar to Clare House, providing a full continuum of care from retirement village units to high acuity. We will also be able to develop additional units on this site. It is an excellent business, with high occupancy, a waiting list and the maximum period of four-year certification. We

are really looking forward to welcoming the Matamata Country Lodge staff and residents into the Radius family as our 24<sup>th</sup> care home later this month.

So let's look at the details of the growth platform we have ahead of us on a year by year.

What's really exciting about the growth opportunities is a new offering, that we're well on track to launching at several sites.

I'm super pleased to tell you that we'll offer care suites at Lexham Park from late 2023.

Our care suite rooms will be slightly larger with an ensuite, chairs and a side table for visitors and be really very comfortable. When the room comes back to the market, we will refresh the décor and resell it.

From a financial perspective, a care suite is a hospital-standard room that the occupier buys through an ORA or Occupation Right Agreement. An ORA is capital sum paid up front that re-pays development costs quickly and will provide a significant additional income stream for Radius Care.

We will also introduce care suites at Northwood in Christchurch and several other sites where the market indicates strong demand. Crucially, we will be flexible in our approach so that we have the several options (focussing on premium charging and care suite offerings) available for customers to choose from.

Radius Care has very strong growth opportunities. The proportion of New Zealanders over the age of 75 is growing every year with no prospect of it slowing in the foreseeable future. This is a key driver of demand for both aged care and retirement villages which offer specialised care. Residents are able to stay in the one place as their level of dependency increases and we know that's a really important consideration when choosing somewhere to spend your later years.

We also look after some of New Zealand's most high needs residents. Radius Care offers care for people with dementia, psychogeriatric conditions, physical and intellectual conditions together with hospital-level care.

Radius Care's broad service offering has been a major factor behind the growth in our average bed occupancy rates. The average is in the mid-eighty percent in New Zealand. Radius Care's occupancy rate is currently in the early ninety percent range. Many of our facilities have a waiting list.

We are the industry leaders in high-acuity with around 87% of our beds so certified compared with an industry average of around 61%. Around 68% of all bed nights are used by high acuity patients, significantly higher than our major competitors.

I'm also excited about the prospect of adding significantly to our Retirement Village offering in coming years as Brien mentioned. In addition to our pending Northwood development, we are currently assessing several opportunities to buy land adjacent to our villages to expand our retirement village unit numbers. Acquisitions of full continuum of care villages in coming years also remains a high priority. We have increased our sales and retirement village expertise across the company to enable this growth to be value-accretive.

All of these moving parts culminate in a metric that is the single most important measure of performance for Radius Care's business – our industry-leading EBITDA per care bed.

We will continue to focus on growing this measure by:

- Firstly, increasing the number of beds;
- Secondly, providing premium accommodation for which residents will pay a premium charge for. It is important to note that our premium charging has been increasing significantly year on year and is a critical area of our business that has received considerable attention from the management team in the last few months as we seek to optimise our revenue streams from our existing portfolio; and
- Thirdly, delivering services efficiently and by being recognised as offering superior levels of care.

Now, having presented a glimpse of where Radius Care is heading to, let's check in on how FY22 went.

COVID-19 continued to be a hazard that we battled on a daily basis. Our staff are very well trained in infection control and did a fantastic job. Radius Care has strong protocols and policies in place for each Covid level and those high standards were maintained despite the challenges that each of our staff had to manage – short notice changes in rosters, colleagues isolating, our staff members' families isolating, childcare challenges and schools closed.

The financial results that we reported were in line with the guidance that had been given. Revenue from care services increased almost 9% to \$132m. Total income was \$136m, up 7.8%. Reported profit for the year was \$2.7m compared with \$1.7m in the prior year. Key metrics of EBITDA per bed and premium charging increased.

A total dividend of 1.05 cents was declared. With full imputation credits attached, it valued up to 1.46 cents per share. As indicated in May, we will soon be in touch to offer you the opportunity to participate in a dividend reinvestment plan. We intend to have that in place for the next dividend, the 2023 interim dividend.

It has also been a solid start to FY23 despite ongoing challenges with covid and winter illness and we will be looking to announce our half year results in late November.

Thank you for the opportunity to share our exciting growth trajectory with you all in the room and online today. I'll now hand back to you Brien.