Radius Residential Care
Level 4, 56 Parnell Road
Auckland 1052

Radius Residential Care Limited

ANNUAL SHAREHOLDERS' MEETING 2022

Executive Chair and Managing Director's Address – Brien Cree

Radius Care is New Zealand's leading provider of high acuity, aged residential care, operating 23 aged care facilities across New Zealand and three retirement villages. Our purpose is to be New Zealand's leading provider of healthcare services, enabling our residents to age in place and to deliver returns to shareholders through capital growth and tax-paid distributions.

Since 2003, Radius has grown the business from one care facility to a portfolio of 23 aged care facilities and three retirement villages.

In the past couple of years since listing on the NZX we've seen substantial growth. We now own the land and buildings at over half of our facilities. Those facilities are located from the Bay of Islands to Invercargill.

Our business has two main streams – aged care and independent living units or retirement village units as they're also known.

Our intention for our aged care business is to:

- Maximise occupancy through a strong reputation for clinical care excellence;
- Enhance returns through optimal Care Bed mix;
- Ensure cost efficiency and stability;
- Grow the Radius Care Online Shop; and
- Continue to grow the business through a combination of organic growth, development and acquisitions.

With our retirement village business our intention is to expand the number of units we offer by including independent living units in the plans for new developments at our sites that offer an expansion opportunity.

So how have we been delivering on those intentions? In short, we've significantly re-shaped our aged care and retirement village segments of the business and we've done it in three main stages.

The NZX listing in late 2020 marked the end of the first stage. We had positioned ourselves to list on NZX and adapt to the realities of being a listed rather than private company.

The second stage was the deliberate intention to acquire properties we were leasing. Since the middle of last year we have delivered a very substantial level of change to our portfolio. Whereas we started the 2022 financial year with 22 facilities of which we owned three and leased 19, we now have 23 facilities of which we own 12 and lease 11.

The third stage sees us in a strong position to build on the scale we've achieved through groundwork undertaken over many years. We are in a strong position to build on the momentum that's been created through stage two.

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I want to remind you that the growth platform is supported by a clear and focussed strategy. Over the past 18 months, we have put a very deliberate and precise focus on growing both the aged care and retirement village business streams. The way that we've done this has been directly aligned with the four pillars of our strategy:

1. Purchase the land and buildings of strategically important facilities we currently operate;
2. Undertake Brownfield Developments which means increasing the number of beds at a site;
3. Greenfield Developments which means buying land and building a complete new facility and village; and
4. Buy facilities from third parties where the acquisition is value accretive.

The land and buildings that we bought from Ohaupo cost us $31.4 million. That acquisition was funded through a capital raise in July 2021. The additional funds we raised at the time supported the Clare House purchase. The four properties we bought in May this year from UCG were funded by bank facilities.

On this slide you'll see how the activity we undertook in FY22 represents the start of the third stage of our growth path. We've created significant development opportunities to add to those that we were working on when we listed in December 2020.

By the end of this current financial year, FY23, we plan to have an additional 24 beds available. All of these will be at New Plymouth where an extension is due to open in January 2023. In the following year, we're scheduled to be opening Stage 1 at Northwood, our brand new facility at Belfast, Christchurch, which are likely to offer 100 care beds, of which 30 will be care suites, 27 apartments and 67 villas.

Taking ownership of facilities rather than leasing them is again a very intentional move on our part. Where we undertake a development on land we own, we – and by we I mean you as a shareholder – get all of the upside. There's no increase in rental based on CPI movements being passed on to us by the property owner to reflect the increase in value of the buildings. Where there's an opportunity to add more rooms to a facility we own we don't have to negotiate the building programme with a landlord.

All of the acquisitions since mid-last year have immediately contributed positively to Radius Care's bottom line. The earnings impact from the eight facilities for a full financial year, once we back out the lease costs we would otherwise have been paying, is a net contribution of an additional $5m to the bottom line. So that's why in the past two years you've seen us being so active in buying properties with development potential.

Entering the third stage of the growth path required the Board to ensure we had a management team that was experienced, capable and with a vision to grow the business that aligned ours.

In January Andrew joined us as CEO. He has quickly got to grips with the business and has been building a superb team around him to deliver on the day-to-day operations. We've recently welcomed Wendy Jenkins to the new role of Chief Financial Officer and Richard Callander, our new Chief Strategy Officer, who join our existing executives Sam Carey, Trish Evers, Gared Thomas and Kayleen Currie who I introduced earlier. This as an A team and means we're in great hands from a leadership perspective.

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Leadership at Radius also flows from our Board and this year's annual report provided you with more detail about our directors' skills. While we are of the view the Board is working well and is able to govern effectively on behalf of shareholders, we are committed to ensuring the Board's overall skill sets fit the company's governance needs.

Before I hand over to Andrew, I want to comment on the health industry employment situation. You will have heard a lot through the media about the state of the health sector. So how is Radius Care doing?

Fortunately, we have been able to recruit many excellent health care professionals from countries such as the Philippines, Marshall Islands, Singapore, Fiji and the Middle East, and many others. This is not a new process for Radius, as we have been tapping into the overseas market for health care professionals with great success for some time. Our new staff will join us over the next few months. It's really important that we retain these staff and we ensure that people who move to New Zealand to work for us are well looked after. We sponsor our new staff through a lengthy and costly programme to allow them to work as Registered Nurses in New Zealand, and also offer a high-quality pastoral care programme to ensure the disruption of a move to an unfamiliar country is minimised. We're really looking forward to welcoming these health care professionals as they join the Radius Care team.

We continue to advocate for pay parity between aged care nurses and nurses employed under the Health NZ system to ensure aged care is treated fairly in line with the role it plays in providing critical support to the Health Care sector in New Zealand.

I'm now going to hand over to Andrew, our CEO. Andrew joined us in November last year in a consulting role but we soon saw his potential and the Board was delighted when Andrew agreed to being appointed as our Chief Executive. Bringing some 14 years of experience at Metlifecare means Andrew has well and truly hit the ground running.

Andrew and I have today presented the strategy and the business plan that will drive Radius Care's medium and longer-term growth path. The company is in very good shape and we will report to you on the first six months of the 2023 financial year in late November. I look forward to talking with you again then.