

29 May 2023

Radius Care Continues to Demonstrate Profitable Underlying Growth in Aged Care

Radius Residential Care Limited (NZX: RAD) today announced its results for the year ended 31 March 2023¹.

Highlights:

- Revenue of \$146.3m, up 10% on the comparative period.
- Net Loss After Tax of (\$2.1m), down from a profit \$2.7m in FY22 due to property valuation movements and higher interest costs.
- Underlying EBITDA of \$14.2m², 32% up on comparative period.
- Industry leading EBITDAR per bed of \$19.9k² in line with the comparative period.
- AFFO of \$4.0m², down from \$4.2m in the comparative period.
- Total Assets of \$356.6m, up \$66.5m from 31 March 2022.
- Occupancy at 93.3% at period end vs industry average of 86.1% (March 2023 quarter).
- Completion of a 24-bed extension at Thornleigh Park on budget.

“Our business continues to operate profitably in the aged care sector. Essential to this result is the commitment of our people who continue to deliver exceptional care to our residents and the resilience of the Radius operating model. Together this has enabled Radius to deliver a record underlying EBITDA and maintain its market leading position in the aged care sector” said Andrew Peskett, Radius Care’s CEO.

People

Radius Care’s aim is to be the leader in care. To achieve this, FY23 has seen a huge effort in direct recruitment of nurses and health-care staff internationally to allow Radius Care to fully staff our care homes with quality candidates and improve our staff wellbeing. We have achieved this at a time when there is a New Zealand-wide shortage of nurses.

“FY23 was extremely challenging with ongoing COVID-19 impacts and extreme weather events and I want to again personally thank our Exceptional People for their resilience and commitment to offer the very best of care every day to our residents. More recently, we have been successful in recruiting a large number of internationally qualified nurses to help to fill our vacancies which will support our existing teams and place us in a strong position moving forward” said Mr Peskett.

Leveraging the success of its recruitment programme has allowed Radius to establish a nursing bureau which will provide greater flexibility for its people and reduce the cost of external bureau providers. Radius Care has also been successful in using innovation to support its people introducing virtual nurses to our offering enabling experienced nurses to assist in remote care and alleviate staffing pressures.

¹ This announcement is based on financial statements that are in the process of being audited.

² Underlying EBITDA and AFFO are non-GAAP (unaudited) financial measures. A reconciliation is included within the Investor Presentation.

In FY23 Radius Care rewarded its highly valued employees who have been with Radius Care for over ten years and awarded 57 employees an issue of shares valued at \$1,000 each to recognise their support and commitment.

Business performance

On the property side of the business, Radius Care has aimed to acquire facilities it leases, acquire value accretive aged care facilities from third parties, develop new facilities and expand its existing facilities. In FY23 Radius Care was able to demonstrate its ability to execute on this strategy and deliver growth across its main strategic pillars.

Radius Care has now undertaken four large property transactions in the past two years acquiring the land and buildings of eight of its leased facilities and two acquisitions of integrated care facilities and retirement villages. Ownership of key facilities is important to maximise value and drive value-enhancing development opportunities.

Radius Care's portfolio has grown to 24 facilities of which 13 are owned and 11 leased. There were 1,889 available beds as at 31 March 2023, an increase of 105 during the year. Occupancy levels have remained strong and significantly above industry averages.

Radius Care's development bank is now 76 care beds and 311 units or care suites at the end of the period.

"We have been delighted with the performance of Matamata Country Lodge since it was acquired in September 2022. Radius has been able to significantly improve its returns within six months of acquisition and it has already delivered a valuation uplift of \$4.3m. We were also extremely pleased to successfully complete a 24-bed extension at our Thornleigh Park care facility in New Plymouth in February 2023 on budget elevating the care home to a best-in-class facility" said Mr Brien Cree, Radius Care's Executive Chair.

The remaining building programme timing will be subject to review given the need to ensure suitable debt levels and a strong capital structure heading into FY24.

Financial performance

Revenue increased 10% on the prior period to \$146.3m excluding other income.

Radius Care's key financial performance measure, underlying EBITDA was \$14.2m compared to \$10.7m achieved for the comparative period. In part this was driven by direct private revenue paid by residents for non-government funded services and accommodation supplement income increasing to \$7.9m, up 17% from \$6.8m in the prior comparable period. Over 68% of our rooms now attract premium income.

Underlying EBITDAR per bed was \$19.9k in FY23 in line with FY22 and remains market leading relative to key listed peers and industry averages. This key performance metric demonstrates Radius Care's ongoing ability to deliver profitable performance in the sector.

AFFO of \$4.0m was generated compared with \$4.2m in the comparative period as higher underlying income was offset by higher interest costs.

On 31 March 2023 Radius Care confirmed a continuation of the \$23 million bridge facilities (put in place on 6 May 2022) to 6 October 2023. A new event of review requires

the company to have received equity commitments of not less than \$30m by 31 July 2023 and to have completed an equity raise and apply at least \$25m to repay the current ASB facilities by 6 October 2023. As noted below the company is currently assessing portfolio optimisation options as alternatives or additions to an equity raise.

On 3 May 2023 Radius Care agreed to repay \$1m of the vendor loan relating to the September 2022 acquisition of the Matamata Country Lodge business. The company also agreed to a step up in interest rate on the loan from 8% per annum to 18% per annum (6% capitalised) and to extend the time for repayment of the remaining \$10.5m loan until 23 October 2023.

On 15 May 2023 the trustee of the Providence Trust, a related party of director Brien Cree, agreed to lend the group subsidiaries that own the Matamata Country Lodge business \$1m at 18% per annum also repayable on 23 October 2023.

Dividend

In FY23 Radius Care paid a gross interim dividend of 0.7c per share totalling \$1.4m. Radius Care will not pay a final dividend in respect of the FY23 financial year.

Summary

“Radius has been through a period of significant growth in the past two years as it has provided several proof points in the execution of its strategy. With the current economic and care home funding environments remaining challenging, Radius Care is focusing on the recently commenced business improvement programme including streamlining operations and portfolio optimisation. The fundamental industry drivers of increased demand for high acuity and specialist care services places Radius Care in a strong position to continue to drive market leading returns as it has demonstrated in FY23.” said Mr Peskett.

ENDS

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