



Investor Letter

HALF YEAR REPORT 2023

Radius Residential Care Ltd | www.radiuscare.co.nz



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Operational and Strategic Highlights



Industry leader
in Specialist Care
Offerings



Occupancy
outperforms
Industry



Senior
Leadership team
strengthened



1,865

Care Beds

+81 from 31 March 2022

147

Independent
Living Units

+46 from 31 March 2022



PORTFOLIO ACQUISITIONS



Acquisition of the land and buildings of four facilities previously under long-term lease arrangements.

Announced Matamata Country Lodge acquisition - adding 81 care beds, 46 ILUs.

Granted an option to buy Radius Kensington at Maeroa, Hamilton.



Wendy
Jenkins

Richard
Callander

Operational and Strategic Highlights continued



DEVELOPMENT PIPELINE

Development bank of 299 beds and 124 independent living units at 30 September.

PORTFOLIO DEVELOPMENTS

Continuation of building works at Thornleigh Park, New Plymouth, due to complete December 2022.

VIRTUAL NURSES

An exciting new initiative. Creating a pool of virtual nurses who provide additional clinical support to the facilities.

STRATEGIC LEASEHOLD ACQUISITIONS

\$46.7m

Settlement of UCG acquisition consisting of four strategic leased sites in Auckland, Hamilton, Palmerston North and Dunedin.





Financial Overview

\$69.9m

Reported Revenue

Up from
\$64.9m in 1HY22

\$1.7m

Reported Profit After Tax

Up from
\$1.3m in 1HY22

\$11.3m

Underlying EBITDA

Up from
\$11.2m in 1HY22

\$7.0m

Pre-NZ IFRS 16 Underlying EBITDA

Up from
\$5.1m in 1HY22

\$350.2m

Total Assets

Up 20.7% from
31 March 2022

\$119.0m

Lease Liabilities

Down from \$142.5m
at 31 March 2022

27.3%

Debt/Total Assets

Up from 10.3% at
31 March 2022

10.3%

Direct Private Revenue (non-government)

Up from
8.3% in 1HY22

\$10.6k

Underlying EBITDA per Care Bed

Up from
\$10.3k in 1HY22

\$3.7m

Accommodation Supplements

Up from
\$3.1m in 1HY22

\$2.5m

Available Funds from Operations

Up from
\$2.3m in 1HY22

0.70 cps

Gross Interim Dividend

In line with
0.70 cps at FY22

Delivering a strong performance and executing growth strategy



MESSAGE FROM

Brien Cree & Andrew Peskett

EXECUTIVE CHAIR & CHIEF EXECUTIVE

Dear shareholder

We are delighted to provide you with this update on Radius Care's business for the first six months of the 2023 financial year.

Like many businesses in New Zealand we're finding the operating and economic environment is presenting a number of challenges. Unlike many businesses however we are finding the deep commitment of our staff and our many years of operational experience in a specialised area of the care sector is offering Radius Care a comforting level of resilience. The business is well positioned to ride through an operating environment that to some looks fragile but to us looks exciting and full of opportunity.

Looking back over the six months to 30 September there were some very clear highlights:

- Amazing commitment, care and resilience of our exceptional people during a time of significant COVID-19 impacts.
- Continued execution of our growth strategy.
- Industry-leading international channels successfully sourced for nurse recruitment.
- Industry-leading EBITDA metrics, ahead of prior comparable period despite COVID and industry-funding headwinds.
- Facility redevelopment programme tracking on time and on budget.





Property portfolio

Reshaping Radius Care's property portfolio continues to be a key driver of strategy.

In early May, shareholder approval was granted at a special meeting for the purchase from UCG Properties of the land and buildings of four facilities over which we had long term-leases. On settlement of the \$46.7m acquisition, Radius was able to deliver \$0.8m in annual savings from lease costs being replaced by interest costs and depreciation. The purchase of these facilities directly aligns with one of the four pillars of Radius Care's strategy by providing greater control over strategic sites, allowing for future developments to be planned.

A fifth facility from the UCG portfolio, Radius Kensington in Maeroa, Hamilton, was sold to a third party who has granted Radius Care an option to purchase the property.

“We were delighted to be able to add an exceptional new operation, Matamata Country Lodge, to our portfolio in late September. It's a very high-quality facility with high occupancy and often has a waiting list. With nearly fifty retirement village units, it provides further evidence of execution of our growth strategy.”

Brien Cree

At the end of August, we announced the purchase of Matamata Country Lodge together with three neighbouring properties. This beautiful property provides us with an additional 46 independent living units and 81 care beds. There is also development potential with an additional 18 villas planned on the adjacent sites. Again, this acquisition aligns with the opportunistic acquisition pillar of our strategy.



Staffing and recruitment

Radius Care's values statement is Exceptional People, Exceptional Care. This has certainly proven to be the case in the past six months as COVID-19 continues to make its presence known. I want to give immense thanks to our staff for the way they've continued to offer the very best of care every day to our residents and deep commitment to their colleagues and to Radius Care despite the challenges of being a front-line health care worker.

Radius Care has been a market leader for many years with its offering in the care sector of the market. This is one of the characteristics that has created a level of resilience in our business and enabled it to continue to perform well despite the mixed performance of the economy.

During the six months we have intensified our overseas nurse recruitment programme and successfully added additional channels that have driven a steady stream of applications from Internationally Qualified Nurses to fill all current vacancies. These nurses are required to complete the seven-week training programme to achieve New Zealand accreditation as a Registered Nurse. It is our expectation that over the next few months we will see an increase in staff numbers and this will deliver a welcome range of benefits including staff being able to take leave through the summer, reduced reliance on bureau

nurses and staff again being able to undertake further training.

We have also introduced an innovative virtual nurse programme to many of our offerings. This enables us to leverage the capabilities of highly qualified nurses who want to work from home to support our front-line staff.

In the second half of the FY23 year we are re-activating our 10-year share scheme which rewards eligible employees who have worked continuously for Radius Care for 10 years with a one-off issue of Radius Care shares to the value of \$1,000 each. We are delighted to be able to recognise this group's exceptional commitment to Radius Care.

The senior leadership team was strengthened with the commencement during the period of Wendy Jenkins and Richard Callander. A short-term incentive and long-term incentive programme has been put in place for the senior leadership team. The long-term plan is a target share price-based scheme, ensuring executive incentives are aligned with shareholders' interests.





Thornleigh Park New Plymouth
24 care beds
Completion: December 2022

Taupaki Gables Auckland
20 care beds
Targeted start: Early 2023

Lexham Park Katikati
41 care suites
Targeted start: September 2023

Northwood Christchurch
70 care beds, 30 care suites,
67 villas, 27 apartments
Targeted start: Late 2023

Facility redevelopment programme

Radius Care's planned redevelopment programme will see an additional 299 beds and 124 retirement village units added over the next five years. This expansion has, in part, been able to be achieved through the purchase of strategically important facilities already operated (but not owned) by Radius Care, providing greater control to undertake value enhancing initiatives.

As at 30 September the development bank stood at an estimated 106 care beds, 193 care suites, 97 villas and 27 apartments. Those facilities for which building programmes are under way or planned over the next 18 months are set out in the image above, phasing subject to current economic conditions. The capital cost of this programme is around \$134m with Thornleigh Park due to be completed in December 2022, on time and budget and Taupaki Gables to commence early in 2023.

Dividend

A gross dividend of 0.70 cents per share has been declared for the half year. The fully imputed dividend will be paid on 13 January 2023.

The dividend payout for the first half is consistent with the policy to target a pay-out ratio of 50% to

70% of AFFO, with each dividend comprising approximately half of the expected full year dividend.

Directors have put a dividend reinvestment plan in place. This will enable shareholders to take their dividend in shares rather than cash. The price at which the shares will be issued will be the weighted average market price of the shares in the five trading days from the date the shares go "ex" dividend. Shareholders can join the dividend reinvestment scheme, or alter their participation, at any time. Eligible shareholders for the scheme will be able to elect either:

- all of their shares
- a fixed number of their shares or
- a fixed proportion of their shares.

The scheme documents are to be sent to shareholders. Shareholders will be able to elect to participate, change their participation or withdraw from the scheme online by visiting Computershare's website.

Capital Strategy

During the half year Radius Care has continued to execute on the four strategic pillars of its growth strategy: to acquire facilities on an opportunistic basis; to acquire strategically important facilities it already operates; to undertake brownfield developments; and to undertake greenfield developments.

It is important that the company is well positioned to take advantage of opportunities that emerge that align with the growth strategy. Our new CFO, Wendy Jenkins, has been leading a capital strategy project to ensure Radius Care has optimal balance sheet flexibility. Two elements of the strategy are now in place. The ASB short term facility has been extended out to April 2023 and a dividend reinvestment plan has been introduced and will be operative for the FY23 interim dividend. Several further elements are in planning and will be announced as and when they are implemented.

FY23 Second half initiatives

In the second half of the year we will welcome Internationally Qualified Nurses arriving from the Philippines, Singapore, the Middle East, India and the Pacific Islands. Radius Care will support these nurses as they undertake the programme to gain New Zealand registration.

These additional staff are likely to enable the business to improve the service and efficiency by improving key metrics such as occupancy and bed mix.

We will continue with our programme of preparing for the introduction of climate change reporting for our FY24 year. A working group that brings together people with the requisite skills to deliver on this important project is making good progress.



Outlook

The company is expecting a second half result that is likely to exceed the pre-NZ IFRS16 Underlying EBITDA achieved in the first half.

Brien Cree
Executive Chair

Andrew Peskett
Chief Executive



At a Glance



1,860+

BEDS



147

INDEPENDENT
LIVING UNITS



1,700+

EMPLOYEES



13/11

FACILITIES
OWNED/LEASED

*Our
Presence*



Financial Highlights

\$M	1HY23 UNAUDITED	1HY22 UNAUDITED
Total revenue	69.9	64.9
Net profit after tax	1.7	1.3
Underlying EBITDA	11.3	11.2
Pre-NZ IFRS 16 Underlying EBITDA	7.0	5.1
Pre-NZ IFRS 16 Underlying NPAT	1.7	2.0
AFFO	2.5	2.3
Total assets	350.2	271.6

Underlying EBITDA to AFFO Reconciliation

\$M	1HY23 UNAUDITED	1HY22 UNAUDITED
Underlying EBITDA	11,290	11,223
Include: Pre-NZ IFRS 16 operating lease expense	(4,309)	(6,118)
Pre-NZ IFRS 16 Underlying EBITDA	6,981	5,105
Include: Depreciation and amortisation (Pre-NZ IFRS 16)	(2,539)	(2,200)
Include: Net interest expense (Pre-NZ IFRS 16)	(2,236)	(389)
Include: Current tax expense	(113)	(329)
Include: Income tax impact from adjustments	(431)	(141)
Pre-NZ IFRS 16 Underlying NPAT	1,662	2,046
Remove: Depreciation and amortisation (Pre-NZ IFRS 16)	2,539	2,200
Include: Maintenance capital expenditure	(1,735)	(1,944)
AFFO	2,466	2,302



Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Unaudited Six Months 30-Sep-22	Unaudited Six Months 30-Sep-21
\$'000		
REVENUE		
Revenue from contracts with customers	69,101	64,458
Deferred management fees	768	449
Total revenue	69,869	64,907
Fair value movement of investment properties	175	(65)
Government subsidy received	154	—
Interest income	50	32
Gain on acquisition of leased property assets	1,781	1,403
Gain on business acquisition	927	—
Total revenue and other income	72,956	66,277
EXPENSES		
Employee costs	(44,341)	(39,292)
Depreciation expense	(4,986)	(5,746)
Finance costs	(5,344)	(4,590)
Other expenses	(16,097)	(14,987)
Total expenses	(70,768)	(64,615)
Profit before income tax	2,188	1,662
Income tax expense	(464)	(328)
Profit for the period	1,724	1,334
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income	—	—
Total comprehensive income	1,724	1,334
Basic and diluted earnings per share (cents per share)	0.64	0.64

Consolidated Statement of Financial Position

As at 30 September 2022

\$'000	Unaudited 30-Sep-22	Audited 31-Mar-22
ASSETS		
Cash and cash equivalents	128	2,088
Trade and other receivables	14,232	9,882
Inventories	761	768
Current tax assets	59	—
Investment properties	69,597	46,014
Property, plant and equipment	131,238	73,839
Right-of-use assets	110,998	133,912
Intangible assets	19,757	19,757
Deferred tax assets	3,434	3,885
Total assets	350,204	290,145
LIABILITIES		
Trade and other payables	18,392	16,901
Current tax liabilities	—	444
Borrowings	95,538	30,000
Deferred management fee	3,387	1,553
Refundable occupation right agreements	38,527	28,616
Lease liabilities	119,020	142,543
Total liabilities	274,864	220,057
NET ASSETS	75,340	70,088
EQUITY		
Share capital	56,732	51,732
Asset revaluation reserve	6,812	6,812
Other reserve	9	—
Retained earnings	11,787	11,544
Total equity	75,340	70,088



Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Unaudited Six Months 30-Sep-22	Unaudited Six Months 30-Sep-21
\$'000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from residents for care fees and village fees	65,856	62,670
Payments to suppliers and employees	(60,039)	(54,899)
Proceeds from the sale of Refundable Occupation Right Agreements	1,335	1,610
Settlement of Refundable Occupation Right Agreements	(855)	—
Interest received	50	32
Interest paid - borrowings	(2,286)	(421)
Interest paid - lease liabilities	(3,046)	(4,169)
Income tax paid	(615)	(1,268)
Net cash provided by operating activities	400	3,555
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property, plant and equipment	7	47
Payments for the purchase of property, plant and equipment	(53,032)	(33,771)
Payments for village developments	(97)	(98)
Payment for acquisition of businesses	(500)	—
Net cash used in investing activities	(53,622)	(33,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	—	48,229
Proceeds from borrowings	54,020	—
Repayment of bank borrowings	—	(8,500)
Principal payment of lease liabilities	(1,277)	(1,950)
Share issue costs	—	(2,404)
Dividends paid	(1,481)	(1,128)
Net cash provided by financing activities	51,262	34,247
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	2,088	2,761
Net increase/(decrease) in cash and cash equivalents held	(1,960)	3,980
Cash and cash equivalents at end of the period	128	6,741

The unaudited financial statements for Radius Residential Care Limited for the six months to 30 September 2022 are available at Results and Reports on radiuscare.co.nz/investors-centre/



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