# RADIUS RESIDENTIAL CARE LIMITED
# FY23 RESULTS BRIEFING

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| Call host: | Thank you for standing by, and welcome to the Radius Residential Care FY '23 Annual Results Call. All participants are in a listen-only mode. There will be a presentation, followed by a question and answer session. If you wish to ask a question, you'll need to press the star key, followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr. Andrew Peskett, Chief Executive. Please go ahead. |
| Andrew Peskett: | Thank you, Harmony, and good morning, all. Thank you for joining this call to discuss our results for the year to 31 March, 2023. As Harmony said, I will lead the discussion starting with some highlights of the period, then hand over to Wendy Jenkins, our Chief Financial Officer, who will talk in detail to the numbers. And then I will pick up with strategy execution and some statements on our outlook. Following that, we'll open the call to questions. |
| Slide 5 | So in terms of the slide deck that was posted this morning at 8:30, I turn to slide five, Business Highlights and Key Events. And we'll do slide by slide. So I'll just let you know when we are changing slides. And I'd like to highlight in this slide the excellent outcomes in the year, in particular executing our stated strategy, 93% occupancy at period end, which is some 7% above our competitors in the industry. And very importantly, filling our registered nurse pipeline, and having a recent surplus of registered nurses, which we'll talk to later in this slide deck. We've also maintained our industry-leading profit per bed at $19,900, and again, we'll talk to that metric later. |
| Slide 6 | Turning to slide six, financial highlights. You could see we have had significant increases to our key metric of underlying EBITDA, which is 32% up on prior comparable period, being FY22. And then accommodation supplements again are 17% up, now also known as PACs or premium charges. We have had, and we've talked in the past about the significant focus on this aspect of the business, which we've delivered a $1.2 million uplift in the year, as previously promised. And we are very pleased with that result. And also on the right-hand side there, just to note on balance sheet, we have increased our total assets by around about $66.5 million. And the going concern valuation indicates potentially another $9 million uplift in future periods. |
| Slide 7 | My final slide before I hand over to Wendy is a very important slide, our people. I'd just like to say thank you to our nearly 1800 exceptional people that do incredible work every day in providing exceptional care to our residents. Thank you all.<br><br>As set out on the slide, I'd like to particularly call out the recruitment of registered nurses and virtual nurses, and the great work undertaken by the people team, as led by Trish Evers in this respect. Thanks, Trish. And the surplus of registered nurses that we've had of late to help to fill internal vacancies and potentially some external demand under the R-Connect |

nursing bureau is an excellent innovation, again led by our general manager Shereen Singh. So thank you, Shereen, for leading this work stream.

Also, as you know, we've had some pretty difficult times with COVID and some, I was going to say once-in-a-lifetime, but not really once-in-a-lifetime storms earlier in the year. They seem to be more common. And yet our people have continued to show courage, commitment, and compassion. So thank you for that during some exceptionally difficult times during the year. And we've managed to, despite this, increase our eNPS or our net promoter score of employees period-on-period, which was pleasing. So again, thank you to you all. I'll pass you now on to Wendy to continue with a more in-depth look at the financials, and join you all later on the call.

Wendy Jenkins: Thank you, Andrew, and kia ora. I'm very pleased to be here today presenting the FY '23 results for Radius Care.

Slide 9 Turning to slide nine, as Andrew's mentioned, it has been a very strong year for Radius with total revenue, excluding other income, up 10%, and underlying EBITDA up 32% to a record $14.2 million for the company. What is even more pleasing is that we've been able to deliver these results in challenging market conditions, with COVID impacting on our operations significantly in the first half of the year, which combined with shortages of nursing staff, impacted occupancy at some facilities. And then this was followed by the extreme weather events early in 2023. Underpinning our revenue and profit growth was a benefit of new acquisitions, improving both our care and village income, and a significant improvement, as Andrew mentioned, in accommodation supplements up 17%, with over 68% of our rooms now attracting premium income.

Slide 10 Turning to slide 10, our occupancy finished strongly, ending the period at 93.3%, following a positive trend upwards in the last quarter. What is also very pleasing when looking at this chart is that Radius is still maintaining a substantially higher occupancy than the industry average, continuing and indeed improving on a long-term trend.

Slide 11 Turning to slide 11, this slide highlights one of the key reasons why Radius is able to maintain occupancy well above industry averages. This is in large part due to the fact that we have a higher proportion of beds certified for high acuity and specialist care at 87% of our portfolio, compared with an average of 58% in the industry. What we're finding is that increasingly, customers coming into care are older, as the trend of ageing in place at home grows, and therefore have different and specialist needs. We expect the need for rest home-level care to reduce over time as this trend continues. So being able to provide higher levels of acuity sets us apart from other aged care providers.

Slide 12 Turning now to slide 12, where we have a lovely picture of one of our residents and two of our care workers at Arran Court. One of our key metrics of performance is underlying EBITDA per care bed, which continues to perform well during the period remaining in line with FY22. A large part of the reason for this is our drive to improve premium charging, which is somewhat necessary, given that government funding is not keeping up with the higher costs of our critical care workers and other expenses. This metric remains industry-leading relative to our key listed peers and industry averages, and continues to be a core focus area for growth in the future through revenue enhancement and cost optimization.

A recent example of where we've been able to deliver this is with the Matamata Country Lodge acquisition, where within six months, we've been able to optimise operations and turn around what was a loss-making facility into a profitable addition to the Radius portfolio.

Slide 13 | Turning now to slide 13, Radius has delivered AFFO of $4 million, which also demonstrates our ability to deliver profitability in H-care. We've paid out $1.4 million in dividends in FY23 but will not be paying a final dividend. I'll now hand back to Andrew to close out the presentation.

Andrew Peskett: Thank you, Wendy.

Slide 15 | Turning now to slide 15, strategy update. There's a lot on this slide. I'd just like to talk to a couple of points. It indicates that since listing in December, 2020, the company has continued to execute its stated strategy, primarily by way of acquisitions of eight former leasehold sites that we now own the freehold in those care homes. And two great one-off value-accretive acquisitions of care homes and villages, being Clare House and Matamata Country Lodge, which we'll talk to and Wendy mentioned before, which we've integrated well into the portfolio and have had improved performance since we've owned them.

Also, in terms of brownfield and greenfield developments, we have in the pipeline 190 brownfield units and a large development site in northern Christchurch, which is being prepared for an exciting development next calendar year.

Slide 16 | Now slide 16, Matamata Country Lodge. Lovely photo there on the right-hand side. I was down at Matamata last week, meeting the residents for a belated Mother's Day morning tea, staff and prospective residents. And it really is a wonderful village and care home. The key call-outs, as mentioned by Wendy, we have turned around the performance following the acquisition in terms of the care home. And recently we have seen a big uptick in interest in the resale units, following a targeted campaign to sell down some of that resale stock, which is very pleasing. And finally, as mentioned in this slide, we have an over $4 million valuation uplift in the last eight months since acquisition of this asset to $23 million.

Turning now to Thornleigh Park. As you can see there, we had a wonderful opening of Thornleigh Park last month, attended by Brien, myself, and several members of the team. And you can see bottom right, Joyce, our first resident enjoying the ceremony. And it was wonderful to see so many people there and some vibrancy in the new wing, which we are looking to fill as quickly as possible. And once completed, this will be an extraordinarily impressive facility in New Plymouth, and one of our two facilities in New Plymouth, proving our development capability.

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| Slide 18 | Then moving to slide 18, on the left-hand side, as you can see, we have around 2000 units or beds currently, and this will increase with the current pipeline of around 290 beds. And as you can see on the right-hand side, we'll be more varied. We'll have care suites and retirement village units, which will result in a more diversified portfolio and will increase the breadth of offering to our customers, which is critical in this time to have full continuum of care and different options in care, both in terms of care suites and accommodation supplements. |
| Slide 19 | The final slide is our outlook slide, and I'd just like to point out here that effectively in FY24, we are hitting the ground running with some pretty significant commercial intensity, and this means we will be continuing to execute our business improvement programme that we've commenced in recent months,  and streamlining and optimising our operations and the portfolio critical programme. And this gives us the right to then continue to develop where appropriate in FY24 and beyond.<br><br>We're very excited to drive these improvements to ensure that we maintain our position as the industry leader in care, as we talked about earlier. And final word before I hand you back to Harmony is that this is all possible, as I said earlier, due to the exceptional care delivered by people such as Marina in this slide who is a home care assistant at Arran Court, who's been working for us for eight and a half years. So thank you, Marina, and all the wonderful people that make this business so fantastic, and mean that we can deliver the results that we've just spoken to. Thank you, all. That closes the formal presentation summary. I'll hand you back to our call host  to open the call for questions. |
| Call host: | Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Arie Dekker from Jarden. Please go ahead. |
| Arie Dekker: | Oh, good morning. Yeah, first question, just with what the government has, well, Te Whatu Ora has delivered to date, and I know the industry's been disappointed with it, and also taking into account the cost inflation you guys are dealing with, what do you see the prospects in this next financial year for growth in your underlying EBITDA to date? |
| Andrew Peskett: | Thanks, Arie. Look, just to comment on the government, obviously, we do and have been lobbying very hard through the Aged Care Association and Aged Care Matters to ensure that the funding round at 1 July is as significant as possible. I think it's a critical point. We, like others and you've noted the underfunding in the past, have noted that and lobbied very hard this year. So we'll get to see what that will result in. And we are not going to give forward guidance on underlying EBITDA, and maybe we can take that offline in terms of performance. But as we talk to in the outlook, we are very focused on our business improvement programme and streamlining operations to drive improved performance. |
| Arie Dekker: | And do you think those initiatives can counter the cost inflation you're experiencing? |

Andrew Peskett: That's certainly the plan.

Arie Dekker: Great. Just on liquidity, I mean, I think the overdraft's just under $3 million, and your borrowings are at $97 and a bit, $11.5 of which is vendor financing in a small related party loan. So $86 million of bank borrowings. Where's the facility limit at balance date?

Wendy Jenkins: Hi, Arie. We're pretty close to our facility limit at balance date at the moment there. We've got about a couple of millions of headroom sitting in there at the moment.

Arie Dekker: And then just in terms of getting through to the 31 July requirement to have raised equity, what level of bank funding support have you got? Is the $2 million headroom sufficient to get through to them?

Wendy Jenkins: It's sufficient for us in the short term, while we work through the portfolio optimization activities that we're looking at at the moment.

Arie Dekker: Yeah, so just on that, in terms of managing the balance sheet and that, are you suggesting that there's divestment activity, you are looking at, I think, the held for sale at balance date's just under $1 million. Can you just expand on what that is in relation to, and if that portfolio optimization includes any divestment plans?

Andrew Peskett: Yeah, thanks, Arie. Obviously, we've disclosed that by October, we need to have returned some capital to the bank. And we're looking at all options in terms of yes, potential divestments and other options.

Arie Dekker: Great. And then just last question, just the Belfast site acquisition, can you just give an update of where that's at, just a reminder on where the conditions are, and when you think you need to settle by?

Andrew Peskett: Yeah, sure. So latest is that we are looking to settle, and then potentially future develop beyond calendar year next year. So middle of next year. That's been delayed by some relatively minor, but time-consuming boundary issues from the vendor. Not significant, but probably given the current development climate and real estate market, we are not terribly unhappy about that. And as said it’s a great project with some great land, close to the village there, close to the new Countdown and all the facilities and amenities and infrastructure. We are very excited about it. And probably quite good timing with other developments around, including Ryman at Northwood.

Arie Dekker: Great, thank you.

Andrew Peskett: Pleasure.

Call host: Thank you. Your next question comes from Tim O’Loan from Nikko Asset Management. Please go ahead.

Tim: Hi. Morning, Andrew and Wendy. Actually, Arie's just asked my questions on debt and balance sheets, so that's all good at the moment. Thank you.

Andrew Peskett: Thanks, Tim.

Call host: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. We'll pause a moment for any further questions to register. Thank you. There are no further questions at this time. I'll now hand back to Mr. Peskett for closing remarks.

Andrew Peskett: Thanks, Harmony, and thank you again, all, for joining the call. Happy to take calls anytime during the day, and enjoy the rest of your day and week. Thank you.

Call host: That does conclude our conference for today. Thank you for participating. You may now disconnect.

**[END OF TRANSCRIPT]**