Radius Residential Care Limited 2024 Annual Results

Operator: Thank you for standing by and welcome to the Radius Residential Care Limited 2024 Annual Results. 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: Thanks, Ashleigh. As Ashleigh said, I'm Andrew and I'll be presenting with Jeremy Edmonds this morning. It's a pleasure to bring you our record FY24 results. We will follow the format of the presentation that was released to the NZX at 8:30 this morning. I'll cover slides four to eight, then hand over to Jeremy to talk in more detail around the numbers. And then, I'll finish off with slides 16 to 19.

Starting with slide four in the presentation deck about Radius Care. Slide four is a summary of what we do, and most importantly, why we are different from the other listed and larger competitors. We provide full continuum from home-based support to higher acuity care, and this consists of levels of care such as hospital care, dementia, psychogeriatric, and physical and intellectual care.

So, this reiterates that we are not dependent on the residential property market, unlike the other retirement village operators. The high acuity and specialist care segments represent both strong future demand and the highest EBITDA margins as evidenced later in our presentation. Moving through slide five, we can see one of our lovely residents, Irene, being looked after by Tony the Gardener at our Althorp Care home. Then on to slide six, business highlights.

So again, reflecting on a record year, some of the business highlights on the left-hand side in performance are the 50% increase in underlying EBITDA, the improved hospital and high acuity mix as I talked about, and as signalled last year, we've delivered over a million dollars, $1.3 million on the cost-out initiative in business performance savings that we said we would achieve. That's an annual saving of around $1.3 million across the business. In terms of our people on the right-hand side, we have highly engaged, exceptional people who have a laser focus on delivering exceptional care with a commercial lens. The headwinds of the industry have now largely passed, being COVID, staff shortages, and increased costs. So, with these now abated and our laser focus, we're well-placed to continue to deliver the exceptional results that we have delivered in FY24.

Jeremy will talk to more details on the financial results later in the presentation, but I'd just like to summarise some of them on slide seven. In the financial performance, you can see a picture on slide seven of me at a staff meeting at Hampton Court as well. And then, the financial highlights on slide seven, in particular, I'd like to highlight the EBITDA per bed that we have reported on in FY24. We've delivered $25,000 per bed, a new record up on $19,900 last year. And again, this is comfortably ahead of our listed and other large competitors.

As promised in previous briefings, we increased our accommodation supplements this year by nearly $2 million year-on-year, on FY23. Very pleasingly, our operating cashflow was up $10 million to $14 million, and our AFFO, or Available Funds From Operations, was $7.4 million, significantly increased on last year's $4 million. So, with these improved financial metrics, we've resumed dividend payments. We paid a dividend on the 16th of May, earlier this month. And we've significantly reduced net debt by around 27%. And so, our net debt now currently sits at $73 million, $27 million down from March 2023.

Moving on now to my last slide of this segment and my favourite slide, our people. You can see Kay driving a vanload of residents to the Mount for a stroll on slide eight. And key things to point out on this slide are our net promoter score, or as we call it, e-NPS. Employee engagement is significantly up year-on-year and over the last two years.

As an example of that, our care home managers have an e-NPS of 74, which is very high, both in terms of having increased at Radius and versus competitors. I'm delighted that 60% of them have been appointed from internal placements. So, they've worked at other Radius Care homes, either in a different role or in another care home and then been promoted to facility manager, which is a really, really good sign.

I would also like to point out the last seven audits. We've improved significantly in the last year or so in terms of auditing our certification. In our last seven audits, we effectively achieved (or will likely achieve) the maximum period of certification, which was a really, really pleasing result and great credit to Rosie and all of the clinical team.

Over 200 of our people have received the Exceptional People Exceptional Care or EPEC training, including 100 registered nurses. And before I hand over to Jeremy, I'd like to say thank you to our exceptional people, to our cleaners, to our caregivers, to our nurses, our activities people, our gardeners, our maintenance people, to our kitchen workers, and all others working at Radius Care. Right now, they're looking after our residents and doing a fantastic job as they did throughout FY24. Thank you all.

I'll now hand you over to Jeremy for a more in-depth analysis of the numbers. Jeremy.

Jeremy Edmonds: Thank you, Andrew. I'm Jeremy Edmonds, Chief Financial Officer. I joined Radius Care earlier in this year. So, this is my first conference call to present the full year results. I'm really pleased to be here and to share with you some highlights from the audited results for the financial year that we released today. So, if we move on to slide 10, I'll start with our key measure of profitability, which is underlying EBITDA. As Andrew mentioned, this hit a new record of $20.9 million dollars, up 47% on the year before, which itself was a new record. These great results have translated into our key measure of care profitability, Underlying EBITDAR per care bed, which also was a new record at nearly $25,000 per bed, which is an industry-leading metric.

A lot of hard work has come together in delivering these results. I'll talk about revenue on the next slide, but we had strong revenue growth, ongoing good occupancy, and we have a great team of people providing great care for our residents, while really thinking about managing their costs and productivity all at the same time. So, all of this hard work has come together in those results.

Moving on to revenue on slide 11, our revenue grew strongly in the year up 17% on last year. We did have a funding increase from the government part way through the year, but really, this reflects the strength of our offering. We had great growth in revenue from our accommodation supplement rooms and this reflects a stronger mix with our continued focus on the high acuity hospital care and specialised care, which helped our mix and drove revenue ahead of the industry.

Moving now onto cash, Andrew mentioned that our cash from operations was up significantly to $14 million. But AFFO, or available funds from operations, has been our primary measure of cash flow. And this was a new record up to $7.4 million from $4 million. And it's this result that gave us confidence to resume dividends with the dividend payment paid earlier this month, which as we said at the time, was below our normal policy of dividend payments and reflected our priority earlier in the year to reduce debt.

And on that subject, let's move to slide 13. We started this year with a very clear goal to strengthen our balance sheet, to reduce debt, and to refinance our short-term borrowings. And I'm very pleased to say on this subject that everything that we said we would do, we have done. Our strong cash flow combined with the sale of one care home during the year, reduced debt to by around $27 million and by more than a quarter during the year. We finished the year with un-utilized loan facilities available to draw with no overdraft and with no short-term borrowings.

And at the end of the year, all of our borrowings were with the ASB, our longstanding banking partner. And all of them have long-dated terms with an average of 2.8 years. So, I'm very pleased to say that our balance sheet has significantly strengthened versus the position that we started the year with.

And then, finally, if we move on to slide 14, while I'd rather be listening to Arthur playing music at Althorp, I do want to cover a more technical accounting issue. The government decision to remove tax deductibility of depreciation on commercial buildings was quite well known, and this was passed into law right at the end of March. So accounting rules in this situation do require us to make a large adjustment to deferred tax, which is entirely non-cash and one-off in nature.

Compared to the others in the sector, this is quite visible for us. But reflecting on that, it does mean that we're profitable and in a tax-paying situation. So that's it from me. And, before I hand back to Andrew, I'll just like to say what an absolute pleasure it is to be part of this great team at Radius and it's fantastic sharing some great results from what's been a great year, where we've made enormous progress.

Andrew Peskett: Thanks, Jeremy. It's been fantastic to have you on board. And thanks for that summary. Moving now through slide 15, where Alan is building a birdhouse at Taupaki, to slide 16, an industry update. You can see on the slide we have three long-run tailwinds being ageing population, supply shortfall, and COVID and immigration associated staff shortages. I'll run through each of those briefly.

First of all, the ageing population - we are due to have a 5% increase in population over 85-years-old in the next decade. That's pretty significant. And we are well-placed at Radius to take advantage of that ageing population. The shortfall in supply: there's been a lot of press about this lately, and based on quite a few scientific estimates on what's going to happen in the next three to eight years, there'll be upwards of 40 to 50,000 bed shortfall in the sector. So that's just to repeat, 40 to 50,000 bed shortfall in the next three to eight years.

In terms of people, we're now fully staffed and have been for some time. And I'd like to reiterate now the great work that R-Connect, our external and internal bureau service has done. It's just had its first birthday recently. It's allowed us to collect revenue from other listed providers and, most importantly, to optimise our staff mix across facilities to make sure we don't use external bureaus. Our external bureau use has come down from several hundred thousand dollars a month to very minimal, averaging $10,000 to $20,000 per month currently. And it's allowed our wage to revenue ratio to be in the mid-50% range, which again, is significantly below competitors.

Now, moving to slide 17, we can see Flo doing her word search at Althorp.

And moving then to slide 18 with our strategic pillars. Firstly, growing scale - what we are looking for and chasing down at the moment moving forward is value accretive M&A, and similarly value accretive developments. We have mentioned and signalled development pipelines in the past. We are re-assessing the various development options we've got, and we'll start on those developments depending on, as I said, those that are most value accretive over time.

We are looking to continue to diversify revenue, so the existing channels of R-Connect and Radius Shop that we've talked about to improve those, and to expand health services beyond aged care.

Thirdly, the Radius Way. The Radius Way is effectively the systems and processes in place that enable us to produce an underlying EBITDAR per bed of $25,000. We're looking to monetize and develop the Radius Way more and see opportunities, both in New Zealand and globally, to assist other operators to improve their performance and monetize the Radius Way to do this, using our intellectual property.

Finally, on the Outlook slide 19, you can see a great picture there at Millstream with our HCA Bindu looking after Marie. A couple of things to touch on here. We're two months into FY25. We're continuing to look to optimise the business, looking for 1% improvements and continuous improvements on a daily basis throughout our care homes. We're looking to exceed our FY24 metrics and to continue to pay dividends to differentiate ourselves from the retirement village sector, and to continue to deliver exceptional care from our exceptional people. And I'd like to finish on the note of thanking our exceptional people as I did earlier in the presentation, thank you again for all your wonderful work and I'll now hand you back to Ashleigh to take questions.

Operator: 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. We will now pause momentarily to allow questions to be registered.

Operator: Thank you. There are no questions at this time. I'll now hand back to Mr. Peskett for closing remarks.

Andrew Peskett: Thanks, Ashleigh. And, I'd just like to say thank you. I know it's a busy reporting time, end of a busy reporting season, so thank you all for joining the call today. I've enjoyed delivering the result and look forward to checking in with you all in the future. Have a great day.

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

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