



NZX RELEASE 29 November 2023

Ryman reports a steady result for six months to 30 September 2023

Key financials

- Unaudited reported (IFRS) profit of \$186.7 million, down 3.8% on the same period last year
- Negative free cash flow of \$158.4 million, an improvement of \$138.5 million on the same period last year
- Unaudited underlying profit of \$139.2 million, up 0.3% on the same period last year
- Operating EBITDA of \$146.3 million, up 7.8% on the same period last year
- Total assets up 4.6% to \$13.09 billion
- Net interest-bearing debt of \$2.47 billion - gearing of 33.6% within medium-term target of 30-35%
- Earnings per share of 27.1 cps, down 30.2% on the same period last year
- No interim dividend declared

Ryman Healthcare (Ryman) has reported IFRS profit of \$186.7 million, which includes fair value movements of investment properties, down 3.8% on the same period last year. Underlying profit of \$139.2 million was up 0.3%, driven by solid growth in operating EBITDA, offset by lower new sales at sites under development.

The real estate market has been through a challenging period and the retirement sector has not been immune from this. This was relative to a buoyant first half last year and has resulted in booked sales of occupational rights agreements (ORAs) of 699, down 9.5% on the prior corresponding period.

Ryman continues to make progress on the strategy reset outlined at the equity raise. Reflecting an increased focus on cash flow and capital management, free cash flow improved by \$138.5 million from -\$296.9 million in IH23 to -\$158.4 million in IH24. This was driven by improved cash flows from existing operations and a reduction in the net spend on development activity.

Cash receipts from residents were up a pleasing 21.6% to \$868.9 million driven by strong settled sales of ORAs off the back of move-in activity during the half. This was a key driver of the improvement in free cash flow from existing operations and a reduction in receivables.

Ryman Group Chief Executive Officer, Richard Umbers said, “This result has been delivered during a period of challenging market conditions including a subdued housing market for the majority of the period. While our financial results are steady on the prior year, we continue to make progress on resetting the business and executing the strategy which was communicated at the time of the equity raise.”

Development update

“Following the raise, Ryman is in a reset phase with our near-term focus on matching our build programme to sales activity and reprioritising this programme to improve cash flow from development activity,” said Mr Umbers.

A significant level of development is underway with 14 sites in the construction phase, including Mulgrave which recently commenced. Ryman opened three new villages in 1H24, welcoming its first residents into Northwood (Christchurch), and Patrick Hogan (Cambridge) in New Zealand and Bert Newton (Highett) in Australia.

He added: “As part of the reprioritisation, Ringwood East, Takapuna and future stages at Murray Halberg have been put on hold. In addition, Kohimarama and Newtown are being held for sale as they no longer meet our investment criteria.”

Ryman will continue to review its land bank in light of predicted market conditions and with a focus on capital management. A portfolio increase of 650-750 units and beds is anticipated for FY24, down on previous guidance. The medium-term outlook for the build programme will be reviewed at the full-year result.

Village operations

Occupancy within care centres has improved to 96%, up 2 percentage points on the same period last year, and back to pre-COVID levels.

Ryman continues to lead the sector in care quality with 85% of its New Zealand care centres receiving the 4-year Ministry of Health certification (highest certification), the highest amongst all of the large providers. Ryman recently received first-time 3-year certification (highest certification) for all of its Australian care centres audited by the Australian Aged Care Quality and Safety Commission.

Ryman continues to innovate and improve its care services, with significant growth across its homecare offering in Australia. Residents receiving funded home care packages increased by 45% to 192 in the period.

Capital management

Net interest-bearing debt at September 2023 was \$2.47 billion, up from \$2.30 billion at March 2023. Gearing of 33.6% sits within the company's medium-term target of 30-35%.

The refinance of Ryman's banking facilities in September increased the average tenor across all debt facilities from 2.6 to 3.6 years and amended the ICR covenant. Ryman was compliant with all debt covenants at 30 September. Facility headroom, including cash, stood at \$533.9 million at September 2023.

No interim dividend has been declared for IH24.

Chair Dean Hamilton commented, "The board has determined that it is in the best interests of the company to suspend dividends as the business goes through a reset; working to improve operating cash flows, completing delayed capital-intensive main buildings, maintaining prudent financial headroom and determining a cadence and financial envelope for future build rates. The current intention is to undertake a review of the dividend policy at FY26. Any future dividend policy is expected to be based on cash flow."

"The financial focus of the board is to strengthen cash flow outcomes from existing operations and deliver value-accretive new developments. We remain positive about the longer-term demographic trends supporting the sector and believe Ryman is in a strong position to capitalise on the opportunity that this presents."

Board and management changes

Ryman continues to refresh leadership in both board and key management roles. Rob Woodgate has now commenced in his role as Group CFO.

"As previously announced, we are delighted that Kate Munnings has joined the board. Kate brings extensive commercial healthcare experience from her senior roles at Virtus and Ramsay as well as construction and property management experience from prior roles. With two directors retiring in calendar year 2024, we are underway with determining the right mix of skills and experiences that will contribute to the future of Ryman. Including the recent addition of James Miller and myself, there will have been significant board renewal over a 2-year period," Mr Hamilton said.

Outlook

FY24 underlying profit is expected to be in the range of \$300-\$330 million (previously \$310-\$330 million). This wider range reflects the ongoing levels of market uncertainty and dependency on sales in the new year.

Fourteen villages in the construction phase

New Zealand (9)	Australia (5)
Lynfield, Auckland (Murray Halberg) * [future stages paused]	Brandon Park, Melbourne (Nellie Melba) *
Devonport, Auckland (William Sanders) *	Ocean Grove, Victoria (Deborah Cheetham) *
Henderson, Auckland (Miriam Corban) *	Highett, Melbourne (Bert Newton) *
Havelock North, Hawkes Bay (James Wattie) *	Ringwood East, Melbourne [paused]
Hobsonville, Auckland (Keith Park) *	Mulgrave, Melbourne
Riccarton Park, Christchurch (Kevin Hickman) *	
Cambridge, Waikato (Patrick Hogan) *	
Northwood, Christchurch *	
Takapuna, Auckland [paused]	

*Village open and under construction

Nine sites in the land bank

New Zealand (5)	Australia (4)
Park Terrace, Christchurch	Mt Eliza, Victoria
Karori, Wellington	Essendon, Melbourne
Karaka, Auckland	Coburg North, Melbourne
Rolleston, Canterbury	Kealba, Melbourne
Taupō, Waikato	

About Ryman:

Ryman Healthcare was founded in Christchurch in 1984 and owns and operates 48 retirement villages in New Zealand and Australia. Ryman villages are home to 14,200 residents, and the company employs 7,600 staff.

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RYMAN HEALTHCARE LIMITED
KEY STATISTICS

		Sept 23	Sept 22	Mar 23
		Half Year	Half Year	Full Year
		Unaudited	Unaudited	Audited
Underlying profit (non-GAAP)¹	\$m	139.2	138.8	301.9
Unrealised fair-value movement on retirement-village units	\$m	27.3	89.3	73.6
Deferred tax movement	\$m	43.3	(23.3)	51.6
Impairment loss	\$m	(15.8)	(10.8)	(11.0)
Costs relating to swap amendments	\$m	(5.3)	-	-
Close out of employee share schemes	\$m	(2.0)	-	-
Costs relating to USPP prepayments and swaps	\$m	-	-	(158.3)
Reported net profit after tax	\$m	186.7	194.0	257.8
Weighted average number of shares	000s	687,642	500,000	516,323
Earnings per share - basic and diluted	cents	27.1	38.8	49.9
Dividend per share	cents	0.0	8.8	8.8
Capital management				
Free cash flow (non-GAAP) ²	\$m	(158.4)	(296.9)	(389.0)
Net interest-bearing debt	\$m	2,466.4	3,000.1	2,303.1
Total equity	\$m	4,864.0	3,628.1	4,663.9
Total assets	\$m	13,085.2	12,033.3	12,510.6
Gearing ³	%	33.6	45.3	33.1
Net tangible assets - basic and diluted ⁴	cents	683.6	704.6	658.1
Sales of occupation right agreements				
New sales of occupation rights	no.	144	216	462
Resales of occupation rights	no.	555	556	1,057
Total sales of occupation rights	no.	699	772	1,519
New sales of occupation rights	\$m	135.3	188.0	418.3
Resales of occupation rights	\$m	403.5	394.7	754.6
Total sales of occupation rights	\$m	538.8	582.6	1,172.9
Portfolio:				
Aged-care beds	no.	4,540	4,299	4,456
Retirement-village units	no.	9,356	8,667	9,142
Total units and beds	no.	13,896	12,966	13,598
Land bank (to be developed)⁵				
Aged-care beds	no.	1,212	1,623	1,356
Retirement-village units	no.	4,082	5,087	4,512
Total units and beds	no.	5,294	6,710	5,868

¹ Underlying profit is a non-GAAP (Generally Accepted Accounting Principles) measure and differs from NZ IFRS profit for the year. Underlying profit does not have a standardised meaning prescribed by GAAP and so may not be comparable to similar financial information presented by other entities.

The Group uses underlying profit, with other measures, to measure performance. Underlying profit is a measure that the Group uses consistently across reporting periods.

Underlying profit includes realised movement on investment property for units in which a right-to-occupy has been sold during the period and for which a legally binding contract is in place at the reporting date. The occupancy advance for these units may have been received or be included within the trade receivables balance at reporting date.

Underlying profit excludes deferred taxation, taxation expense, unrealised movement on investment properties, impairment losses on non-trading assets, costs relating to swap amendments, costs relating to the close out of employee share schemes and the cost of exiting USPP borrowings and swaps.

² Combination of net operating cash flows and net investing cash flows. Free cash flow is a non-GAAP (Generally Accepted Accounting Principles) measure and does not have a standardised meaning prescribed by GAAP, and so may not be comparable to similar financial information presented by other entities.

³ Gearing calculated as net interest-bearing debt to net interest-bearing debt plus total equity.

⁴ The NTA figures for 30 September 2022 have been restated to exclude deferred tax assets.

⁵ The land bank is subject to resource and building consent and various regulatory approvals.