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David Kerr: Morena, tena koutou katoa. Good morning, everyone, and welcome to Ryman Healthcare's full year results presentation for the year to 31 March 2021. My name is David Kerr and I'm the Chairman of Ryman Healthcare. To my right we have Gordon MacLeod, our Chief Executive, and David Bennett further down the table, our Chief Financial Officer.

So once again we have opted to make the presentation a virtual event. We find this is best as an approach because it takes the guess work out of which COVID level we are in. I am going to give you a brief overview of the year, an update on the COVID situation and impact. Gordon will give you his analysis of the year and growth plans and thoughts on what he sees ahead, and David will then give you some greater financial detail on our financial results.

So, we welcome questions at the end. You can ask questions either online or over the phone for those of you who have called in, and of course, you can contact us afterwards if there is anything else you would like to know.

You will see on the right-hand side of your screen you have the chance to ask a question online. For those of you calling in by phone our operator will advise you when you are free to ask a question.

So, after another eventful year for Ryman Healthcare I am happy to report we are still COVID-19 free and our vaccine rollout program is in full swing. Keeping our villages COVID-free, coping with the unexpected lockdowns, adapting to the bubbles, opening, and then pausing, keeping the home fires burning has been quite a challenge. It has been a huge team effort and the Board cannot thank everyone enough for what has been achieved.

Our staff have been truly amazing. They have [unclear] put the welfare of our residents to the fore. Some of them have been in various amounts of PPE for well over a year and as well as this they have exercised great caution with their own activities and living arrangements and personal health over all of that time and we are enormously grateful and aware of their extra effort. It has been one heck of a challenging year.

When I first heard of this virus, I feared it was a perfect storm for an operation such as ours, and indeed it was for some operators, which has been very sad to see. But here we are, as I mentioned, COVID-free still. Everyone is really attentive to staying that way.

So, let's look first at the headline numbers. The underlying profit was $224.4 million, which is a decrease of 7.3% compared to the prior year due to the COVID-19 challenges we've experienced. The reported or IFRS profit increased 59.8% to $423.1 million, which is due to property valuation changes and the addition of new units. The property market decline that was widely anticipated this time last year failed to eventuate.

We had a much stronger second half. You will recall we were almost 15% down at the half year and full credit to the team for the progress they have achieved over the second half. Shareholders will receive a final dividend of 13.6 cents per share, taking the total dividend for the year to 22.4 cents per share. This dividend reflects 50% of our underlying profit.

This year's dividend is a milestone. It means we will have paid out more than $1 billion to shareholders since 1999 when we raised $25 million. The record date is 4 June and the dividend will be paid on 18 June.

Total assets rose 19.5% to $9.17 billion. We are building across 12 sites, up from four new sites just three years ago, and we will soon have another two under way. Prior to COVID we were anticipating returning to our 15% medium term growth target in the prior (2020) and 2021 financial years.

We were expecting strong growth from Victoria this financial year, but COVID temporarily put paid to that. We couldn't trade for a significant amount of time but we experienced a significant turnaround in the final quarter of the year in both our markets and this gives us a lot of cause for optimism about the year ahead, COVID permitting obviously.

We have just had the best April sales in our history, so the momentum is continuing. This result also includes our repayment of $14.2 million in wage subsidies, which we clearly qualified for in New Zealand as a result of the COVID lockdown. We repaid it because of the recovery in our key markets and the improved outlook that resulted from the containment of COVID. If we had not repaid the subsidy our underlying profit would have been similar to last year.

As a Board we are constantly aware of our intrinsic purpose as a company and the role that Ryman plays in the communities it operates in, as well as the importance of purpose to our staff and many stakeholders. Profit is a critical outcome of identifying a purpose that benefits and is appreciated by society.

Our purpose, providing beautiful and sustainable homes and the best of care to older people, is greatly valued by the society we operate in. That is why we are called Ryman Healthcare. The name encapsulates our purpose, which means our shareholders trusted us with their investment to get a return on that investment. The competitive returns to shareholders are essential to the company's success but this is not the purpose. I suggest the purpose continues to the collaboration, the innovation and the commitment and creativity of our teams and all our stakeholders, which is what gives us the momentum for both innovation and growth.

I recently read a report relating to what are described as compounding companies. We could describe Ryman as a compounding company on a number of different fronts. Clearly Ryman has been a compounding investment. We have returned more than $1 billion to shareholders and raised no fresh equity. It is also a company that has demonstrated compounding growth. We have grown by reaching more and more people. We have added 33 villages now since we listed. We have another 16 to build and we continue to look for more land opportunities.

The magnitude of growth is always exciting, but the sustainability of the growth is more important. Sustainability of growth requires retention of our competitive advantage and this is a constant focus of both the Board and the management of the company.

Retaining our competitive advantage means we need to constantly innovate. The first step is always to retain one's current competitive advantage. The next step is for the company to identify the next competitive advantage that will keep us at the front of the sector. The third step, which is a constant area of focus for this company, is to be exploring future competitive advantage.

We have been innovating more in the past year than I can remember. COVID meant we were needing to be working in a completely different way and has brought technology to the fore. That pioneering investment we made all those years ago in myRyman, which moved us into the digital space, paid dividends. We are pioneering again with clinical improvements, new resident hosting services and food improvements and in the way we're using new technology to lift the resident experience to a whole new level.

Our residents will see this in the next few weeks when we roll out the Games at Ryman coinciding with the 2021 Tokyo Olympics. Ryman residents across all our villages will use sophisticated technology to participate in the world's first digitally enhanced Olympics for retirees.

We are hoping our version of the Games will empower our residents to compete, to do things they never thought they could do and demonstrate where technology can take us next. We're not promising gymnastics but there will be virtual cycling and swimming events, walking relays up Mount Fuji, laser powered lawn bowls and a lot more besides.

We know our residents are overwhelmingly positive about their lives and our survey results during COVID showed how much they appreciate what we do, but we can't rest on our laurels. We will keep going to find the next improvement or innovation that will make their lives yet better.

To keep our competitive advantage and continue to innovate it is important that we are constantly renewing and replacing our team and we have been through a slow but steady Board renewal process over the past couple of years. In March we welcomed a new Board member to the table joining relative newcomers Paula Jeffs and Anthony Leighs.

I was delighted that Greg Campbell could join us recently and we are lucky to have his skill at the table now. Greg is a well-respected chief executive. He has done the job for a number of years leading the team at fertiliser cooperative, Ravensdown. Prior to that he had a number of challenging chief executive roles both here in New Zealand and in Australia and he is also experienced in governance. He is already having a lot of input at the board level and he has got great insights into sustainability issues, which add a valuable new discipline to our governance team.

You will recall from our half year result that we decided to appoint a chief executive in Australia for the first time. We were delighted to announce Cameron Holland's appointment. Cameron joined last month, and we are looking forward to his contribution as he develops his understanding of Ryman.

Cameron is an experienced business leader. He has worked in the airline and travel industries and also has experience in the aged care sector at a senior level in Australia. As well as running all our Victorian operations Cameron will be working on our Australian growth strategy, helping our Victorian team solidify our activity and enable the continued growth opportunities we see in that state.

We also appointed Chris Evans as our Chief Construction Officer. Chris is an engineer who has built a distinguished career in the construction industry in Australia, including 25 years at John Holland and most recently he has worked as Chief Asset and Infrastructure Officer at Sydney Airport. So, some great appointments there.

So, to Gordy. Here is Gordy and his nana at Margaret Stoddart in 1994. Gordy has let us know that he has reached a point in his life where he is keen to try something else. He has given 15 years of extraordinary service to Ryman. This is his 29th result. He joined as CFO in January 2007 and was promoted to Deputy Chief Executive at the end of 2014 and took over as Chief Executive in June 2017.

During his four years as Chief Executive we have opened 10 new villages and increased our market capitalisation from $4.2 billion to about $7 billion and returned $450 million in dividends to shareholders and we achieved our goal of opening five new villages in Victoria by 2020.

His leadership throughout COVID has been surefooted and superb and we have kept more than 12,500 residents and 6,100 staff safe across two countries. Gordy has an extraordinary ability to relate very positively to the very many stakeholders in this company. He has shown himself to be an absolutely authentic leader.

We are very fortunate that he has committed to stay on until a suitable replacement is found and he will be leaving Ryman in a great position. So, I would like to thank him on behalf of the Board and everyone at Ryman. I would add that finding someone to fill his shoes will be challenging, so there will be many more opportunities to express our gratitude. We respect his decision entirely of course and we wish him the best in whatever he does. We will be conducting an international search and of course we will update shareholders as soon as an appointment is made.

A week or so ago I was lucky enough to receive the Pfizer COVID-19 vaccine. Gordy and I regarded it as our duty to get the vaccine so that we could clearly show our belief in the safety and value of it to the thousands of residents and staff at Ryman. We had also participated in some evidence-based education sessions over the past few months encouraging everyone to get the vaccine.

We understand it's an important decision, but I didn't have the slightest hesitation about rolling my sleeve up. The Pfizer vaccine has a phenomenal track record of efficacy and safety. Like some 200 million other people I have had no side effects, but I am reassured that if I come into contact with COVID my immune system will be ready. We have examined the data every which way and I think it's one of the greatest advances we have seen in medicine in my career. It offers an extraordinary opportunity to safeguard everyone in our communities and I have been impressed to see how much work the Ryman team has done to educate the residents and staff alike and to answer any queries.

The Ryman team actually has trained 50 vaccinators and they are ready to go. Our aim has been to be able to vaccinate everyone in our community ourselves and a number of DHBs have taken us up on our offer to protect their resources. Indeed, in a couple of cases, DHBs have asked Ryman to run the vaccination program across all of aged care in their region. That is how valued we are as a local healthcare partner and indeed how critical our villages have become to the healthcare infrastructure. Talk about purpose.

To summarise the year, we made it. We turned in what I think is a very credible result during the worst pandemic for 100 years. We have kept everyone safe and we have continued to grow, to innovate and to develop, but most of all, we have proven that our model of care is a critical part of the infrastructure of the communities we serve. The professionalism and clinical excellence of our team during COVID has been extraordinary. It means that the safety and security of living in a Ryman village is more valued by our residents and their families than ever and we are expecting demand for our services to continue to grow in the years ahead.

I will now hand over to Gordy to talk you through the year.

Gordon MacLeod: Thank you David. Well, where to start. In fact, that's an amazing picture of Nellie Melba reception area during the middle of COVID. We had the Australian Defence Force come and visit and look at our infection control procedures and we have got Mark, our Village Manager, and staff there and they just said the team were doing a fantastic job. It's quite confronting to see that image, isn't it?

Well, my highlight has to be keeping our villages free of COVID. We have more than 18,000 residents and staff across 41 villages and 12 construction sites, so that's a remarkable achievement. This took a huge amount of effort, thought and commitment by the team. We have demonstrated our ability to move nimbly, to provide different skills, care, and technology in a rapidly changing environment.

Leading a team that has been so committed and professional and so consistently so has been an absolute privilege. I have said it before and I will say it again, I am absolutely humbled by the dedication and care our team has shown throughout this crisis. I am delighted that their work is so well recognised by our residents. We have had record survey results throughout and of course winning the Most Trusted Brand Award seven times means the word of our success has spread far and wide.

Of course, we don't take anything for granted, but as David mentioned, the COVID vaccine program is rolling, and we are encouraging everyone to take part and the take up is excellent. The other highlight that has been so special for the team is reaching the stretched target of getting those five villages open in Victoria by the end of 2020. Our team in Australia is something very special. We have built an extraordinary amount of goodwill over there and word spreads fast and you can see the residents moving into Nellie Melba, Ocean Grove, John Flynn, Charles Brownlow, and Weary Dunlop over the period of the last wee while.

In Victoria they spent half of last year in lockdown. They kept everyone safe, the construction team kept on going through multiple COVID level restrictions and the sales team came out with a great February and March once the restrictions eased in Victoria. I was delighted to be able to visit for the first time in more than a year a week or so back with David and it was great to see old friends and colleagues.

I also got to visit our new Essendon site which replaces Coburg as our presence in the north of Melbourne. The Essendon site has medium density and is really a straight swap for the Coburg project which was high-rise and more complex. You can see the picture of the Essendon site there in the foreground and you can see the proximity to the Melbourne CBD. It's a 1.8-hectare site adjacent to park land and is just 10 kilometres from that central district.

We have got happy residents and good sales at John Flynn, which is Burwood East, Charles Brownlow, which is in Geelong and Ocean Grove and our Aberfeldie Village is making great progress. Aberfeldie will be our next village to open its doors, our sixth in Victoria. We are hoping to get going at Ringwood East and Highett over the coming months after we have finished the planning endorsement process where both sites have development approval.

Business has bounced back in New Zealand thanks to a stronger than expected housing market and we are really busy across our seven sites. We will be welcoming our first residents at Keith Park in Hobsonville in June, which will be our latest Auckland village to come on stream. Our first residents are settled at Miriam Corban in Henderson and work is well underway on the village centre.

James Wattie in Havelock is now very established with townhouse and apartment stages selling well and work will start on the care centre later in the year. Development of the latest stages continues at William Sanders in Devonport, Murray Halberg in Lynfield and Linda Jones in Hamilton. Gosh, when you look at that slide there, they look fantastic, don't they? It's amazing how much work the team have done.

We have received resource consents for new villages in Takapuna and Kohimarama in Auckland and Northwood in Christchurch. In fact, the Kohi site was one of the first through the, well, the first one through the fast-track program with the Government which was a real credit to the team. Takapuna is like to be the next cab off the rank for construction in

New Zealand. We will welcome our first residents at Riccarton Park in Christchurch in a few weeks. It is shaping up to be a beautiful spot on the racecourse and interest is galloping away. I just had to say that.

We have also found a couple of great sites in New Zealand. The Karaka site is a 10-hectare property just four kilometres from the centre of Papakura and we think it has huge potential in a growing part of Auckland. We can build a townhouse style village at the site which will free up more than 350 homes easing pressure on the Auckland market.

The Cambridge site is 8.6 hectares and is suited to a townhouse style development. Cambridge is a beautiful Waikato town and has always been popular with retirees from its large catchment which includes Hamilton. It is a large site which will provide much needed care in the area and free up hundreds of homes for families and if we just look at the couple of photos there, you can see they are both regular shaped flat sites, so when the construction team saw them, they were pretty happy.

What a surprise with everything we have on the go currently, so there's our 12 villages in progress there on that picture, they currently will generate $12.8 billion in capital proceeds when they are fully sold down. After that, recurring income of $220 million. Collectively those sites will recycle capital which is always our objective.

If you go back to September 2018 you can see in the column with construction that we only had four sites on the go and the team have put in a massive amount of work to be in the position that we are in to have those 12 sites on the go and also expand the landbank. If you see how the slide has changed from September 2018 to March 2021, there you can see 12 sites in construction and a longer landbank and if we go back one, you can see how the landbank has been increased and the number of sites increased dramatically.

If you take into account, our entire landbank we have 25 villages in the pipeline which will be worth $5.3 billion and generate recurring income of $420 million after completion. I talked at the half year about getting the flywheel moving again and it's certainly moving. We finished the final quarter with the highest number of transacted sales we have ever had, and we have been voted Most Trusted Brand for the seventh time.

It is also a record IFRS result, the first time we have broken through the $400 million barrier. We had record cash collections in the second half of $693 million and also operating cashflows were another record, so we had a really big second half on the cash collection front. In a year when we faced increased operating costs and could not trade or build for a significant amount of time, I am pleased with where we are and what the team have achieved.

We have reduced our gearing and significantly diversified our debt. We have also increased the tenure of our debt and importantly from a trading point of view, we finished the year with resale stock at only 1.4%, down on the half year. We have showed a significant improvement from where we have been and is a real credit to the sales team.

We continue to operate as sustainably as we can ensuring that we leave the environment in the best shape possible for the generations to come. We were the first retirement operator in New Zealand to join the Toitū carbon reduction and measurement program in 2018 and since then we have been working to reduce our impact through a range of initiatives. We have adopted sustainable design principles and joined the New Zealand Green Building Council so we can benchmark our work against Homestar and Greenstar schemes.

Our construction sites are recycling up to 80% of waste materials, which is a great effort and we have been working with the Department of Conservation and Predator Free New Zealand to supply hundreds of predator trips manufactured by our residents. Our residents are excited to be a part of the effort to make New Zealand predator free by 2050 and there is no shortage of volunteers in our village to help build the traps and there's a picture of one of them.

Fundamentally our whole model of operating has a sustainable underpinning. Each village we build creates warm purpose-built homes for older people where the care they need is on hand. They are energy-efficient and sustainable, our footprint is much smaller than private homes, our density is greater, and, in most cases, we are also recycling brownfield sites.

The traffic each site generates is a fraction of a normal suburb and our medium density villages prevent urban sprawl. They free up homes in pressured housing markets where demand is outstripping supply and they fit perfectly with the aim of having people age in place and of course our villages are a place where people can age in place with certainty and care. Last but not least, we create thousands of jobs and careers.

Technology continues to be a focus. We see huge potential in it to improve the lives of older people. MyRyman has been a success in our care centres and came into its own during COVID. We are now looking at ways to roll it out to our independent residents giving them a digital platform to keep up with villages news and to digitise activities such as health monitoring, medication management, wellness and even everyday activities such as food ordering, outing bookings and payments.

It is early days but the team is working on a terrific strategy to develop and roll out these innovations and more and we're also reviewing a nurse practitioner model which we think will improve access to care and encourage better health outcomes for our independent residents.

The model would also recognise the considerable skills of our nurses, improvise another career pathway for them as well as easing pressure on our GPs. We're really looking forward to trialling these initiatives and getting feedback from our first residents.

On another matter, we've noted the concerns of Dr John Bonning, President of the Australasian College for Emergency Medicine about the challenges the public health sector faced this winter and has been facing during the summer.

Our public hospital system seems to be at breaking point during peak periods, which makes us - makes what we do even more essential. This, of course, is just the acute care system. When you consider that the demand ahead for dementia care alone, which research shows will more than double very soon, you can see why our services are going to be in demand.

It's imperative that aged care is seen as a critical part of the healthcare infrastructure in New Zealand and Australia. Now, more than ever, it's clear that if we get it wrong, it will create a huge burden on the public system and we saw the pressures that COVID placed on an already constrained public health system over the last year and so what we are doing is vital.

We've done a lot of work in recent years in developing our leaders and our Ryman Academy has taken this to a new level. Our aim is to be the employer of choice in the industry where we are considered a place new staff can come and thrive. Getting everyone home safe remains every day our priority and we've introduced Donesafe risk management and incident reporting software which will be rolled out in the coming year.

As David mentioned, this is the 29th set of Ryman results, either half year or full year, that I've been a part of and it's been a real privilege to have my role and my time at Ryman and I'd like to thank all our incredible team and residents for all their support over the years. Particularly Simon Challies for choosing me in the first place all those years ago, Kevin Hickman for helping with that selection and David's extreme support as well, and that of the Board's.

Visiting our villages is always a highlight. That's where you get the nectar in your heart. I always leave each village I visit with an enormous sense of wellbeing which comes from seeing the care and attention and sheer hard work that goes on. It just - well it just blows you away, really.

It also comes from the fantastic good will of our residents which forms the basis of our communities. I've had thousands of positive interactions with residents over the years and as shareholders, you can be sure they love where they live and what our teams do with them for them.

As David mentioned, I reached a bit of a crossroads in the last few months. After saying goodbye to 2020, I've found working at this level is all-consuming and it means a lot of other things in your life can or do get neglected.

So, I've just turned 50, which I know many of you will find hard to believe. It's true and this milestone made me reflect. I'll be spending more time with my family and certainly my children probably meet the definition of people that I might have neglected a bit over the years and in doing some different things, both at work and also with activities.

It'll be business as usual though at Ryman until the new person is in the role because I'm committed to being here until the new Group Chief Executive starts and is settled. Then it will continue to be business as usual.

I know I will leave the Company in a great position to grow. It has huge potential and a wonderful purpose to care for older people and as Kev would say, for everything we do to be good enough for Mum.

Finally, I'd like to thank our shareholders and investors for your support over so many years. Before I hand over, I'd like to make mention of the residents on this slide, which is going to be a transition slide. We've done - started something new, which is really exciting, over the last few months.

The people on those slides are all residents of our villages and they come in and help us with interviews of village managers and they just love doing it with us and they'll sit in with interviews with me and add a huge amount of value and different perspective as an older person and as a resident.

I love the way that our Human Resources Team and Operations Team are always innovating and thinking of a different way to involve residents and do things different. Righteo, over to you, Dave.

David Bennett: Thanks, Gordy and good morning, everyone. I'd just like to start by saying a big thank you to Gordy from both a personal and - perspective but also on behalf of the whole Ryman team. The contribution you've made over the last 15 years, Gordy, has been huge.

Your focus on developing the team and finding great Rymanians and maintaining our culture has really set us up amazingly for the future. Your commitment to the Company has been on show right throughout but has been truly next level throughout COVID. Your drive to protect our staff and our residents was truly amazing.

From a personal perspective, I have learnt so much from you over the last eight years and I'm grateful for the support and the opportunity you've given me. I know you're not going anywhere just yet but congratulations on what has been a truly amazing contribution to Ryman and the wider sector.

David Kerr: Well said, Dave. Well said.

David Bennett: Thanks, [unclear].

Gordon MacLeod: Thanks, Dave.

David Bennett: Right, so back to some business. So, our underlying profit of $224.4 million is a decrease of 7.3% on last year. This was driven by the increased cost of responding to COVID and the impact the lockdowns in New Zealand and Victoria had on our ability to undertake construction and transact units.

Having repaid the New Zealand wage subsidy in the second half of the year, the impact of COVID on our underlying profit for the year was a cost of $19.8 million. This was spent on additional staffing, security, and resident welfare.

Our reported IFRS profit, which includes the unrealised fair value movements on investment property was a record $423.1 million. That's an increase of 59.8% on last year.

This included unrealised valuation gains of $201.2 million and compares to an unrealised valuation loss of $70.9 million last year. The lift in the valuation affected the additional - the addition of 503 new units. Adjustment made to the valuation in terms of our growth rates and discount rates back to pre-COVID levels and pricing increases to reflect our recent sales.

Our total sales for the year of 1428 units was aligned with financial year '20. This was an amazing effort by our sales advisors given the impact of COVID. Going into financial year

’21, we were planning and expecting the majority of our growth to come from the Victorian market.

It was almost impossible to transact with new residents in Melbourne for nearly six months and in Auckland, which is our biggest market in New Zealand, we experienced level 3 lockdowns or above for 20% of the year and, of course, there’s always a bit of a lag coming out of the lockdowns as well. Zoom’s great for catching up with family and friends but it’s not so good for making life changing decisions.

Our cash receipts from residents was a record $1.18 billion for the year. That’s an increase of 4.1% and the graph here shows that our second half cash receipts from residents were the strongest we’ve ever had at $693 million and up 26.7% on the same period last year.

Operating cashflows for the year were $413.1 million, a decrease of 8% on the prior year. This again reflects the impact of COVID on cost and our ability to transact.

We finished the year with $397 million of unconditional new sale contracts in place, which will be collected in cash over the next 12 to 18 months so we have a strong forward order book which supports cash collections over the year ahead.

We have invested a record $844 million into our portfolio over the year and these investing cashflows were spent as follows. $680 million was spent building new villages. $75 million on land supporting our land bank of 6146 units and beds. $42 million was invested in upgrading existing villages to further enhance the resident experience and the care we provide.

$2 million on bed licenses in Victoria and $45 million was invested in a range of projects including the development of the next stage of system integration and technology to ensure that we continue to enhance the care our clinical staff provide to our residents.

This record investment has seen our working capital debt increase to $2.25 billion. We are building across 12 sites and have a further 13 sites in our land bank. The lift in the number of sites we’re building across from four in 2018 to 12 today requires an upfront capital investment but provides better diversification from a construction and sales perspective.

We expect to recycle capital across the 25 sites in our land bank and we anticipate generating $5.3 billion of capital proceeds from these sites on sell down. This is why we regard our debt as productive. We invest the bulk of it in new villages where we recycle capital, and this establishes a growing tail of recurring cashflows.

In addition to the $5.3 billion of capital proceeds on initial sell-down, if you assume an 8% return from deferred management fees, resale earnings and care, this will generate an additional $420 million of recurring profits each year.

Our debt shows the capital efficiency of the business model in that unlike almost all other debt held by other organisations, once we repay it at an individual village, we retain a productive asset which then generates growing recurring income for decades.

Our debt is predominantly a function of the working capital required to create these productive assets or in other words, new Ryman communities. They generate growing recurring cashflows for decades. We are in a healthy financial position with total assets of $9.17 billion, up 19.5% on last year and shareholder equity has lifted from - by 23% to $2.83 billion.

I've already talked about the lift the valuation of our retirement villages - units gave us but on top of this, our age care facility valuations have been completed by CBRE as part of our two-yearly cycle. The value of these lifted by $195.8 million and this increase goes directly to our reserves, so it doesn't have a profit impact.

The main drivers for this revaluation increase with inclusion of new facilities built over the last two years in an increase in CBRE's adopted comparable bed rates, affecting market forces but fundamentally the strong demand for our villages.

Occupancy advances have lifted to $4.21 billion and that graph shows an increase of nearly $2 billion over the last four years. This reflects the development of our new villages, many of which have been built in high value areas and generate significant value for the company going forward.

Last year, we signalled to the market that we were looking to diversify both the source and tenor of our debt. We have raised $825 million - New Zealand dollars, across three debt markets with a weighted average debt maturity profile of nine years.

This has included NZ$150 million retail bond offer, a US$350 million US private placement and an AU$250 million institutional term loan that completed in May this year. All of these issuances were heavily oversubscribed and provide us with a strong platform for future issuances across a number of different markets. This has seen us extend our weighted average debt maturity profile to five years and the source of our debt funding is now 70% bank debt and 30% longer tenure institutional and retail placements.

Our total debt facilities are now NZ$2.85 billion. We continue to have very supportive banks and are pleased to welcome our new funding partners. Our syndicate of funding partners understand our growth plans and strongly support us. The debt to debt plus equity ratio has reduced slightly from September to 44.3% and the debt to total assets ratio is 24.6%.

The positive feedback we received from the soft launch of our RADs or refundable accommodation deposits for care beds in Auckland has seen us roll these RADs out across all of the villages in New Zealand. RADs give our residents a choice on how to pay the accommodation premium, with the full amount of the RAD being returned when the resident vacates the room and it is consistent with our Victorian model.

We are continuing to see the benefit of developments being concentrated in high value centres. Our development margin for the year is 27%, which is higher than our target range of 20% to 25%. Our occupancy advances from residents are currently $4.21 billion and the resale bank of gains on this portfolio is $1.15 billion and applies a resale margin of 27%. This reflects the 5% lift in pricing that we introduced in April this year and if the market continues to hold, there will be further upside.

So this resale bank is the amount of resale margin we would crystallise today based on current prices and these [unclear] gains mean we can expect our resale earnings to keep on growing, even if the housing market was flat from here for several years, because resale volumes increase as villages mature and we've been conservative on our pricing.

Demand remains strong, with only 114 units or 1.4% of our portfolio available for resale at the end of the year. This is down from 1.9% at September. So, this represents just over one month of vacancies. Demand for the care we provide remains very high and we closed the year with mature occupancy at 97%. The aged care sector in general is averaging below 90% in both New Zealand and Australia, so we continue to significantly outperform the market.

What triggers our ability to grow is simple. It's our model of recycling capital. Since listing in 1999 and raising $25 million, we have now invested $5.24 billion in our portfolio and paid out a growing dividend stream to shareholders of more than $1.03 billion, but we've never had to raise any new capital. We are in a strong position to continue to grow and bring Ryman to more and more communities both in New Zealand, Victoria, and beyond. So, thank you very much and over to you again, David.

David Kerr: Thank you Dave, thank you Gordy. Look, we're now happy to open up for questions and have we got any callers on the phone in the first instance?

Operator: [Inaudible]. Andrew Steele with Jarden.

David Kerr: Look, I can almost hear somebody but not…

Andrew Steele: (Jarden, Analyst) Good morning everyone, can you hear me?

David Kerr: Yes, thank you, yes. Could you just…

Andrew Steele: (Jarden, Analyst) Just first one from me…

David Kerr: Could you just introduce yourself please?

Andrew Steele: (Jarden, Analyst) It's Andrew Steele from Jarden.

David Kerr: Thank you Andrew. Fire away.

Andrew Steele: (Jarden, Analyst) Good morning guys. The first one from me is just on your thinking behind the disposal of Coburg and what you think sort of the right size land bank is your growth targets?

David Bennett: Yes. So with Coburg and Essendon which we looked at together, we really felt that the Essendon site was superior and therefore we decided that the Coburg site wouldn't be something that we would proceed with any time soon and it was too much capital to have tied up there.

It also would have required an 11-storey retirement village to be built at Coburg and at this point in time over the last couple of years, that just wouldn't have been appropriate. So, the Essendon site is lower density than that. It's in, we believe, a better location and that's why we made the decision to essentially swap the sites.

In terms of land bank, first of all our aim is to match the build rate in Victoria as it is in New Zealand and we will continue to want to increase our build rate in the Australian market by probably around sort of 10% compound growth per annum after that, once we've got to that sort of level. Then the land bank would be growing commensurate with that as our build rate escalates. Normally we would want probably four years headroom of whatever our build target aspirations are.

David Kerr: Andrew, I'd just add with respect to Coburg, it was quite a challenging decision but you know, I think all credit to the team for actually taking the decision that it wasn't the right piece of land for us at this time and Essendon is a much better opportunity for us.

So, I think sometimes changing your mind is a good sign and actually actioning it is a good thing to do, so all credit to them.

Andrew Steele: (Jarden, Analyst) That's very clear, thank you. Just the next one from me is on operating cashflow.

If I look at that, excluding the impact of cash inflow from development and RADs, this decrease [unclear] year-on-year and even if I look at just the second half, it's a pretty significant decline. What were the drivers of I guess this underlying cash flow deterioration and were any of them transitory that you'd like to call out, other than the obvious of COVID sales impact?

Gordon MacLeod: I guess first of all I'd say we never exclude development cashflows from our operating cashflows because they are operating cashflows. We have a significant construction design development team, that's very much part of business-as-usual and so it would be a bit like excluding the manufacturing arm of Apple from their full result. It makes no sense to do that in my opinion.

The operating cashflows including development cashflows in the second half were $316 million and they are the highest we've ever had in a half and the cash receipts from residents in the second half were $693 million, the highest we've ever had in a half. So on the back of the very significant shutdowns that we had, where most of our growth for FY21 was scheduled to come from Victoria and it was shut for six months and our second biggest market which is Auckland by far, where Auckland was shut for 20% of the period, I would say having the strongest operating cashflows and resident receipts from our ongoing activities which includes development, is an outcome that we are satisfied with.

Andrew Steele: (Jarden, Analyst) Okay thank you. Just on the shift in composition of your debt, you've obviously introduced USPP and the ITL and also the retail bond. You've always previously highlighted the great support from your debt syndicate and reading between the lines, should we assume that you've effectively reached the limit of you know, what the syndicate is prepared to lend you in both Australia and New Zealand or has one market in particular tapped out [from the syndicate]?

Gordon MacLeod: No, in fact the opposite. What we've done is we have created further headroom with our banking partners. It just made sense to us that with our growth plans long term and just with good practice, it made sense for us to diversify our debt in a number of ways and particularly because the sources of financing in those three areas were able to offer considerably longer tenure. So, you know, nine, 10 years plus and that sort of tenure really isn't available from the banking world.

However what it has done is for very supportive bankers who easily could have been at that level collectively, is that they know that they have - we know that they have very supportive additional headroom for us in the event that we need it.

Andrew Steele: (Jarden, Analyst) Okay great and just a final one on the New Zealand accommodation deposits. How do you expect that these will be treated from a valuation perspective from an accounting valuation perspective, given that you are in effect sacrificing a care earnings stream for taking on a liability, albeit you do get the [time value of money benefit] on it.

David Bennett: Yes, you've got it with that last bit, Andrew. It's the time benefit of money, that you're receiving that cash to generate the future earnings and obviously there's an interest saving as well…

Andrew Steele: (Jarden, Analyst) [Unclear]. From the perspective of valuing the assets though, is when the valuer looks at it, you will have less earnings and they take a capitalisation of earnings approach, does this mean that you effectively take a write down when people convert to accommodation bonds?

David Bennett: No, you don't because you also get the benefit of grossing that up for the cash that you receive, much like you do for the retirement village model. It's the same approach in Australia of course.

Andrew Steele: (Jarden, Analyst) Okay.

David Bennett: Because the same model is used there where…

Andrew Steele: (Jarden, Analyst) That's all from me.

David Bennett: Where strong valuations are raised in aged care because of the interest free cash capital sum and the optionality people have for a rental amount as is the case here.

David Kerr: Thanks Andrew. Next question, another question on the phone?

Operator: Your next question comes from Jeremy Kincaid with UBS.

David Kerr: Morning Jeremy.

Jeremy Kincaid: (UBS, Analyst) Good morning team. Morning, morning.

David Bennett: Morning.

Jeremy Kincaid: (UBS, Analyst) I'll start with construction costs if that's all right. Obviously, there's anecdotes of supply chain constraints and rising import costs. I was just wondering if you're seeing a similar thing and if you've hedged your exposure there to some degree and also the difference between the Australia and the New Zealand market.

Gordon MacLeod: Yes. So, the New Zealand construction market is obviously under some resource constraint right now. There's been tax incentivisation to build new residential homes and there's been significant announcements around infrastructure build at a time where there has been a pullback on immigration settings. So - and we run a reasonably tight supply market in New Zealand which I understand the government might look at at some point.

So, we are expecting some construction inflation in New Zealand over the next sort of 12 to 18 months, Jeremy. Steel for example out of China, understand they've changed some of their tariff arrangements where it might up 13%. So, construction inflation could be in the region of sort of 5% or something like that or higher. We don't know yet but we're preparing for it. We are very careful around the supply chain issues that you're seeing on television and hearing about. That's where it's good to have longstanding supply relationships with nationwide suppliers so that we can be looked after, which is occurring.

Then in relation to Melbourne and Victoria, what we're seeing is what we've always seen for a while is that where there is volume and competition in a market, the prices are lower. I guess that's one of the things that will be looked at in New Zealand.

Jeremy Kincaid: (UBS, Analyst) Thank you and then moving to your new debt exposure, so these new providers of debt have differing sort of interest rate and covenant terms. Are you able to provide a bit of colour around what those are?

David Bennett: We don’t give any colour, but the banks - there’s been no additional covenants put in place on us from a lending perspective. They’ve either - they’ve got some of the covenants that the banks have got, not necessarily all of them. But there’s no additional covenants in place for us.

David Kerr: Jeremy, one of the interesting things is that, though, with the USPP, it was really well received. These are sophisticated long-term investors and they were particularly positive about our model. It was oversubscribed. So, I think, that it’s really very comforting to have that experience. It gives us a sense of confidence - yet, greater confidence that how we operate is really well regarded.

Gordon MacLeod: I certainly noticed that, Dave, with your team that both - all three markets required significant amount of information, provision, questions, good engagement, understanding of the business, support for what we do. So, therefore, what it does is it adds another layer of strength around the team's knowledge and experience dealing with different types of funding providers, which is great. Really well done, too, guys. Fantastic [unclear].

Jeremy Kincaid: (UBS, Analyst) Just one final one on Coburg. Is that a cash loss of $15 million or is there a re-valuation in there, as well?

Gordon MacLeod: Oh, it's a little bit of its on cash, I think and some of its cash.

Jeremy Kincaid: (UBS, Analyst) Are you able to [put down] how much is…

Gordon MacLeod: Oh, I couldn't tell you.

David Bennett: No, the majority of it will be…

Gordon MacLeod: On cash.

David Bennett: …cash. We haven't taken a valuation uplift on our assets when we valued it up. We hold our - we typically hold all of our work-in-progress at cost.

Gordon MacLeod: You have to remember we went through a development [approval]...

Jeremy Kincaid: (UBS, Analyst) Thank you. That's all from me.

Gordon MacLeod: We through a DA process for it, you see.

David Kerr: Yes, thank you Jeremy. Another question on…

Operator: Your next question comes from Stephen Ridgewell of Craigs Investment Partners.

David Kerr: Morning, Stephen.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yes, good morning. First of all, I want to congratulate the company on a strong second half. Also, on behalf of Craigs, and hopefully other investors, too, I wanted to thank Gordon for your huge contribution to Ryman's success. I think the market [cap], when I first met your [unclear] years ago, was around about $1 billion. The company's up around $7 billion [today]. I know it's not the only way to measure success…

[Unidentified Company Representative]: Well done.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) …but it's certainly been a remarkable story. So, a very successful tenure. I wish you all the best for the next phase of your journey.

Gordon MacLeod: Thanks, Stephen. I appreciate that.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Now, I should ask a few questions. First of all, on the care business. The sale of RADs on care beds in New Zealand. David, you alluded to a good start so far. Are you able to give us a bit of an idea of about how much cash Ryman would hope to generate from sale of RADs in the New Zealand business and over, roughly, that timeframe that might come in, based on that experience?

David Bennett: Yes, thanks. In terms of background as to where we're at today. We received about $10 million worth of cash into the year ended 31 March. As at today, we're probably sitting about $22 million. The average we're collecting is about $400 thousand a bed. So, depending on where that goes, from a percentage point of view, is probably the driver for how much we will get. In Australia, we've historically seen about 50% - 60% uptake on our RADs. So, there's plenty of opportunity, but it will just be waiting for that to [bed down]. But from there, if you apply some of those assumptions and then work on maybe 40% of our beds, it could be $400 million - $500 million worth of cash over time. Over the next three or four years.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yes, great. Just based on that early experience, it sounds like you're still confident those early assessments will…

Gordon MacLeod: Yes.

David Bennett: Yes, it's a great product in that it gives our residents choice on how they fund the premium on their room.

Gordon MacLeod: Particularly in a lower interest rate environment, Stephen.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yes, that's great.

Gordon MacLeod: It's a great alternative for people.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Then, maybe, just still on the aged care business. The change in the bed licence regime that's announced in the Australian Federal budget a few weeks ago. Can you first talk to any impacts you see from Ryman from the general package of aged care changes announcement? Do we expect any write-off for money already spent, just on the [unclear] spent in FY20? So, just any impacts from those changes that you want to call out.

David Bennett: Look, it's going to take - I think it's going to take a few years for them to do that phase out. At the moment, if we're operating a facility and we've used the licence, it's really like a cost of construction, really. Over the next two or three years, the licences - the few extra licences that we have got, we'll also be using as we open up care facilities in places like Ocean Grove, Geelong - so, and also Burwood, of course

Then, in time, hopefully, we won't need to buy any more licences. So, it's a real positive. Between then and now, this has really been a cost of the - essentially, a cost of building a care facility that could operate. The ultimate check of it, of course, is that all of the aged care assets are carried at valuation. So, some of the asset re-valuations may decrease, potentially, if they've been a cost associated with it. But we wouldn't expect an earnings hit.

David Bennett: We're not carrying another asset just linked to those licences. It's just part of our aged care asset.

Gordon MacLeod: I think the other thing is…

Stephen Ridgewell: (Craigs Investment Partners, Analyst) I understand.

Gordon MacLeod: …in terms of the expectations that the Royal Commission have and the Australian Federal Government have, in terms of care minutes. That we currently already meet those care minute expectations, which, I think, is really important to be clear about. There's quite an emphasis in the budget, over there, around home care. Provision of more home care, which, of course, we have residents in their homes in our villages. So, I think, it's net positive all round for us.

David Bennett: It should make it easier for us to take Ryman to more communities without having to worry about getting bed licences.

Gordon MacLeod: Correct, yes.

David Kerr: Yes, it's a good change.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) That's great. Then, just maybe on the landbank - sorry, I didn't hear the first question that Andrew was asking. So, apologies if this is repeating anything.

[Unidentified Company Representative]: That's okay.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) But, I guess, in the last 12 months, we've seen the landbank reduce in terms of undeveloped units. Are we going to go back to land bank growth this year? Then, if we do, is there going to be a bit of a tilt to perhaps more broad acre sites like the one you just bought in Cambridge? Are there any other sites that we might perhaps see divested and that capital recycled into more broad acre sites?

Gordon MacLeod: Yes. Well, I guess, an interesting lead into it. If you look at the sites we've announced today, Essendon, Karaka and Cambridge. Certainly, Karaka and Cambridge are more broad acre sites, Stephen. They'll recycle capital really well. So, they're great acquisitions from the NZ Team.

In Australia, the Essendon site, one of the appeals, like I said earlier versus Coburg, was that Coburg had to be built all at once, 11 stories. We'll be able to do some phasing at Essendon, which is good. The team, also, in Victoria need to search for more land over the course of the next 12 to 18 months. Certainly, within that, we're interested in a range of sites from medium density to, also, broad acre. So, that we have a mix just like we have here.

David Bennett: Probably the other thing just to make - to point out, Stephen, is the amount of our sites that have got resource or development approval on them, as well. There's site in our land bank now that we have those approvals and we haven't necessarily started. So, we've caught up a lot over the last three or four years in terms of getting sites through that process earlier. It gives us more chance. So, you don't - it does mean you can be, I guess, slightly more cautious on your land purchases, because you've got plenty of opportunities there to turn other sites.

David Kerr: The caution is not due to…

David Bennett: No.

David Kerr: …financial restraint.

David Bennett: No.

David Kerr: It's really just getting the…

David Bennett: That's right.

David Kerr: …right mix of sites, in terms of complexity, geography and demographics in the area. So, it's the right mix that we aim at.

Gordon MacLeod: You'd want to see the Australian/Victoria land bank increase over time, more relatively than New Zealand, perhaps.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) It makes sense. I think…

Gordon MacLeod: Yes.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) …the investment of Coburg was the right move.

Gordon MacLeod: Yes.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Just in terms of the outlook into FY22. I know there's a lot of potential [unclear]. But can you give any broad indication of where you'd be hoping to land for built rate this year, across the group?

David Bennett: Yes. For FY22 I think the build rate will be somewhere probably between 900 and 1000 beds and units. It's slightly down on what we'd previously thought. But that's mainly to do with some of our care build, just with the impacts of COVID, is now going to fall into FY23. So, there'll be a high proportion of our build being retirement village units. You'll see quite a significant step-up in FY23, I think, as those care centres come online.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) Yes.

David Bennett: We just can't physically get them built in time for FY22.

Stephen Ridgewell: (Craigs Investment Partners, Analyst) [Unclear].

Operator: Your next question comes from Aaron Ibbotson of Forsyth Barr.

Aaron Ibbotson: (Forsyth Barr, Analyst) Hi there. Good morning. Good luck to you Gordon with your new ventures. Brave call and hopefully a wise one. I've got a few questions. The first one to you, David. I just wanted to suss out exactly what you are saying here. I think you said you had a $2.8 billion total debt facility, which, if I'm right, compares to $2.4 billion, which was your banking syndicate only. So, I just wanted to understand what's included in that $2.8 billion. Is that the $300 US PP and the retail bonds? Are you still around $2.4? Is that institutional term loan, if I deduct it, [all I get is $2.1]. So, I was just trying to understand what is your actually banking syndicate facility now versus the six months? Thank you.

David Bennett: Yes. So, the banking facility is around that 2.1. So, we have cancelled some of that bank facility, as part of the diversification. That's why Gordy touched on it earlier.

Aaron Ibbotson: (Forsyth Barr, Analyst) Okay

David Bennett: We have additional capacity with our banks, going forward, if needed.

Aaron Ibbotson: (Forsyth Barr, Analyst) Okay, perfect. That's [unclear]…

David Bennett: We were able to cancel some bank facilities, yes.

Aaron Ibbotson: (Forsyth Barr, Analyst) Okay, perfect. Secondly, I just wanted to circle back. I think you mentioned $275 million of cash collection from new sales at the half year expected. I got it to 260, which is not too far off. But I just wanted to ask, for the year ahead, if you look at the value of contracts not settled, it's around the 400 mark.

David Bennett: Yes.

Aaron Ibbotson: (Forsyth Barr, Analyst) Is that a reasonable expectation for your cash collection for the next 12 months. It was pretty close last couple of times…

David Bennett: Yes.

Aaron Ibbotson: (Forsyth Barr, Analyst) …or should we expect it a bit more or a bit less? I believe you mentioned 12 to 18 months, in the presentation.

David Bennett: Yes. I think with that - a couple of things. The slight $15 million miss was just one stage missed by a couple of weeks, moving in at Williams Sanders, is the difference between those. In terms of the ahead, not quite all of that $400 million will come through this year. There's some sales that are pushing out as next year. But we'd also expect to sign up new contracts during the next 12 months. So, we'd expect to easily achieve that number, would be my…

Gordon MacLeod: Oh, it should be more than that.

David Bennett: Should be way more than that.

Gordon MacLeod: Yes. What were new sales - new sales of occupation rights were $500 million to FY21. So, $400 million is the position at the end of March - at 31 March '21 of contracts. We've just unconditional, but not settled. Some will go into the following year. Some will occur during the year and be settled in the year. So, yes, 400 plus I guess.

Aaron Ibbotson: (Forsyth Barr, Analyst) Okay, thank you. Finally, I believe you mentioned just shy of $20 million of COVID related costs in FY21. How much of that should we think about when we think about additional costs in FY22? Do you expect most of that to reverse or some to reoccur or?

Gordon MacLeod: We don't know.

David Bennett: We're hoping that - well, what I said to David last night was I really hope that the - all the PPE we bought just turns out to be unnecessary. We've got a lot of PPE suppliers in New Zealand, all throughout New Zealand, and Australia, we've got really amazing stuff ready to go and I really hope that it's not needed.

David Kerr: This virus is not done yet with us, I'm sure.

David Bennett: So yeah, so we just don't know. We don't know what the hit to the P&L might be because those items are legitimate, or a lot of those PPE items are legitimately stock until they're used for a period of time.

Gordon MacLeod: Our villages and our aged care facilities in Australia are still in PPE as we speak. So...

Gordon MacLeod: Yeah, when David and I were there a week and a half ago, the Department Of Health and Ageing they haven't stopped - they've not allowed people to stop wearing masks yet in care facilities, even though there was no community transmission at the time. So I think because they lost 655 older people during that July to October period last year with 134 aged care facilities being infected with COVID significantly and very significantly in some cases, the department had taken a very, very cautious approach, understandably. So yeah, we've got a lot of stuff which is good.

Operator: Your next question comes from Jason Familton with ACC.

Jason Familton: (ACC, Analyst) Morning guys, first of all, Gordy, thank you very much for your tenure. I've had a great many years (dealing with you) as a sell side analyst clearly now an investor for the last eight years or so, so thank you and I wish you all the best for the future.

Gordon MacLeod: Thank you, Jason.

Jason Familton: (ACC, Analyst) Secondly, just looking - I mean there's some great pictures of the new villages at Keith Park and James Wattie and Miriam Corban. Clearly, you've changed the design which I think looks pretty good. Can you just talk about what impact you see on some of the older villages in the portfolio and I'm sort of thinking about as that new stock comes to market, it looks quite different. How do you think about demand for those older villages, price appreciation and potentially, the maintenance CapEx you need to spend?

Gordon MacLeod: Yeah, look, it's a great question, Jason and we were just talking about it with the board a couple of days ago because it's an area we look at regularly. We've got a very sophisticated and talented group property management team and who are led really ably by Julie-Ann Beattie and they report in through the operations team. We've got - so we've got regional property people throughout the country and in Australia and the objective we have is that we want all of our villages to look good all the time. Different villages need different work at different times. We're really conscious of when we do that and what's best for residents. It's sort of a process of regular evolution I suppose. Interestingly, the villages that are often incredibly full and so popular, if you say take Wellington where we've got a number of well-established villages, we had no resale stock available here at all and the aged care centres were full at the end of March.

If I think about that picture of me and Nana when I was 24, Margaret Stoddart's still in great demand. I was at Woodcote the other day, still in great demand. So, it's really interesting because whilst some of the older villages aren't the latest, what they do have is they have decades sometimes of loyalty in the community and reputation. So that's equally important. But that doesn't mean that we don't go back and extend community centres, make sure things look beautiful, make sure the gardens look great and over time, we'll just do what's necessary to refurbish units as they come up to the latest standard and that's how we approach it.

David Kerr: Look, we've built up an impressive asset with all of those properties, Jason, and there's a constant program of improvement and we really have to meet the promise that the name Ryman implies to our residents. So, there is constant attention to the quality of that asset. Visiting older villages, they don't feel older, you know? They have a great sense of vibrancy and we were - I just forget where I was recently but putting in a new café because the village nearby had a café and so this village wants a café. Fair enough; café has to go in, you know? So, maintaining the promise is important.

Jason Familton: (ACC, Analyst) Okay, second question and I haven't asked this one for a little while, but Newtown – demolished the old factory there which looks good and I see it's gone from nothing to now under design in your plans. What are the thoughts around that site at the moment?

Gordon MacLeod: Oh, it's really interesting. My son lives in Newtown. He is a 22-year-old musician, so I go there quite a bit and I go to cafés and walk around and have a good look. Look, I still think it's a great location for a retirement village. The prices in Newtown have changed materially since we brought it, in a way that is good from a feasibility point of view and I think some of the structural engineering innovation has improved a bit as well. So, I wouldn't be surprised if we start having a wee look at the drawings for that site over the next 12 months. Do you think it looks a bit better with the tidy up?

Jason Familton: (ACC, Analyst) Yeah, definitely. Then probably just a question with David and I'm sure there's a good answer for this, but if I look at slide 48 which is the composition of debt, you've got $251 million of the company's debt in relation to systems and other assets. But when I look at the balance sheet, I only find $42 million of intangibles and $27 million of inventory assuming that's some of the other assets. I'm just wondering where the other assets are that that debt has been signposted against?

David Bennett: I'm just bringing it up. That'll be sitting as part of our money we've spent on existing villages. So, it'll be part of your PPE and investment - well, primarily your PPE...

David Bennett: ...and other bits and refurb work and those, so your existing villages.

Jason Familton: (ACC, Analyst) Okay, so is it possible you'd split that out at some stage?

Gordon MacLeod: Maybe we'll have a chat with Jason, eh?

David Bennett: Yeah, I'll have a wee chat with with you Jason...

Gordon MacLeod: Make sure we're on the same page.

Jason Familton: (ACC, Analyst) Okay, cool. Thanks a lot, guys.

David Bennett: Yeah, thanks, Jason. Is there another...

Operator: Your next question comes from Shane Solly with Harbour Asset.

Multiple Speakers: Morning, Shane.

Shane Solly: (Harbour Asset, Analyst) Yeah, good morning, guys, and look, I just wanted to start by recognising the amazing stewardship you provided Gordy. I think you've kept the momentum going in this business through some pretty tough times. Secondly, just to recognise the amazing job the team has done through COVID. Just in terms of understanding the build rate and work in progress (WIP), can you just talk about - David, you talked about [$900 million] for the coming period, but what does it look like in a year or two's time and what does that mean for that work in progress number?

David Bennett: Yeah, so as we've sort of touched on, Shane, there's been a big investment I guess over the last couple of years of getting the number of sites we are building across up from four to 12. It's likely that it will increase by a couple in the next couple of years, but those sites that we've been working on are also going to start to really generate some strong cash flows as we sell them down and finish some quite high-value villages. So, I think it's likely that our build program in FY23 will have quite a sizeable lift up sort of towards that 1300 - 1400 beds and units. But we'd be looking to fund a lot of that with the sell-down of the villages we've been working across now and also, the RADs and other bits and pieces across the group. So yeah, I see a lot of that being self-funded.

Gordon MacLeod: But I guess the profile - if what you're wondering is what is the - what does the growth and the build rate look like over say the next three or four years is that we are conscious we want to get to 1400, 1500, 1600 beds and units per annum to have a balance between Victoria and New Zealand. But the good news is that with Highett and with Ringwood East starting during this calendar year, we'll have seven sites on the go in Victoria and seven sites on the go in New Zealand. So in terms of sort of actual number of sites on the go, the outputs from those sites will sort of vary a bit, but we want to get to the point where there is a similar sort of output that takes us towards that sort of 1600 mark. But we don't stop there. The goal is to continue to grow the overall group build rate at about 10% compound annual growth rate per annum and I suspect that'll be more weighted towards the Australian market than the New Zealand one if that helps?

Shane Solly: (Harbour Asset, Analyst) Yeah, that's great, thank you for confirming that. Just a broader point, there's obviously been - you talked about a regulatory change in Australia, can you talk about the white paper that's been produced here in New Zealand and what that may or may not mean for Ryman?

Gordon MacLeod: Yeah, look, I often think about when Kevin and John founded Ryman, it's fascinating to me that the terms and conditions which were put in place at that time which was a 20% deferred management fee spread over a reasonable period of time for independent and serviced and fixed weekly fees for life, people getting paid out after six months as a practice and I - and stopping weekly fees on vacant possession, all that sort of stuff, we've been very fortunate that our founders created terms and conditions which older people look at and talk with us about and we - they feel fair on both sides. Whether it be the quantum of the DMF or how we charge and that sort of thing. The Commissioner for Financial Capability looked at the whole sector and maybe, yeah, she wondered about whether some of the other practices that she sees like charging weekly fees after vacant possession, like charging a much higher DMF and that sort of thing and what else that led to raised some questions.

But look, when we look at it, we go okay, is our value proposition strong? Is demand for what we do strong? Are residents happy? The answer to all those questions is yes. We are constantly looking to improve and innovate, and we have the best terms and conditions that we are aware of in the sector. I'm not sure what things might happen elsewhere in the sector. We can only speak for ourselves, but it's always good for the sector to be challenged. I think that government or any government probably realise what a massive benefit retirement villages and aged care have been to older people in the last 12 months in New Zealand. I think it's been quite profound and it's taken a huge burden off the state and older people have been really happy and I suspect what's really happened is that we've had extremely volatile positive house price inflation and a small group of people have - it's irritated them, but that's going to go away very soon now because Treasury is saying it's going to be pretty much a zero growth and that changes the headlines.

David Kerr: Shane, you could almost describe what happens in aged care as being a bit like a moat around the public hospital system, you know? Without aged care, the public hospital system would drown. So you know, whilst we have residents telling us how much they're enjoying being residents and whilst we have good demand and we think the best terms and conditions of anyone in the sector, we just press on with keeping our residents happy. That's our goal.

Shane Solly: (Harbour Asset, Analyst) Thank you, very much. No, that really reinforces the great purpose your business has. Thank you and thanks once again, Gordy. I really appreciate it.

Gordon MacLeod: Thank you.

David Kerr: Thanks, Shane.

Operator: Thank you. I'll now hand back to the Ryman Healthcare team.

David Kerr: Okay, so I'm just going to see is there an online question.

So, we have a question Raveen Kuhadas saying has the regulatory environment improved given our performance during COVID?

Gordon MacLeod: The answer to that question is no, I think is the only really fair way to answer it. I think the regulatory environment in Australia and New Zealand understandably from both government and state governments is that they have to provide a framework for older people where, when they are held accountable as politicians, that provides all the quality of care and high standards that a consumer would expect.

Look, that’s where in our clinical governance work, we do, David, that’s where we just go to anyway. So we see that regulatory changes that support older people’s health usually just another way of just verifying for families and so on that things are being done.

We're not expecting any regulatory change from the white paper of any impact on us in terms of what we do and aged care in Australia, through the Royal Commission, what's really apparent is that the very big budget last year, I think everyone agreed was pretty much positive for aged care because it was a very significant budgetary allowance towards it.

In New Zealand yesterday in the budget, there wasn't really much for aged care and I guess that's something that the sector will need to talk with government about in due course.

David Kerr: Yes, I don't want to sound like a stuck record but I think that aged care is such a critical part of the total healthcare activity in a country, given the demographics that exist, that we wait with bated breath what the impact of the health reforms is going to have on aged care because I think it's really critical that aged care receives appropriate support and recognition in this country.

David Kerr: Right, look, I think that might be…

Gordon MacLeod: A wrap.

David Kerr: The last of the questions. So, look, thank you very much for joining us. As always, it's good to hear your questions and engage with you and we look forward to catching up again in some months' time. Thank you, very much.

David Kerr: Bye-bye.

End of Transcript