

Green Cross Health (NZX: GXH)

Annual Shareholders' Meeting, Thursday, 1 August 2024 at 2.30pm.

Chair & Group CEO Speeches

Kim Ellis, Chair

Good afternoon.

The results for the year reflect well-canvassed issues across a number of fronts affecting both divisions - people shortages and costs; depressed consumer demand; and chronic government underfunding of the primary health sector. It is a fact, albeit not a comforting one, that some or all of these we have in common with many other NZ companies.

Additionally, our acquisition momentum has slowed and will continue to run at low levels until vendors adjust their price expectations to the tougher trading conditions.

Notwithstanding these headwinds, our balance sheet and cash flows are in a healthy state presenting us with optionality as to defensive or growth strategies as the market dictates; and the capacity to maintain regular dividends.

The Board has confidence in our CEO, and her leadership team, to turn the tide this year by successfully executing a wide range of initiatives to tackle the challenges and opportunities facing the company.

Rachael will now enlighten you on her plans for the year ahead.

Thank you.

Rachael Newfield, Group CEO

Slides 4-18:

Good afternoon. Before I get into the financials, for what was definitely a tough year, let's have a look at some of the milestones in the year. In April/May we invested in three medical centres as part of our growth strategy. From July the Government removed the \$5 tax on prescriptions, which helped boost prescription numbers for the period the removal was in place. In September we completed a refresh of our Living Rewards branding - modernising the look and feel given the programme is a key point of difference for Unichem and Life pharmacies. Two further medical investments were made in November, taking our enrolled patient base to over 400,000 New Zealanders. In December we renewed our debt facilities, using the opportunity to bring in a second partner. A further medical centre was acquired in the new year and in February we received approval to migrate 28 of our medical centres to a different Primary Health Organisation. Finally, in March, two further investments were made - one in medical and one in pharmacy.

So, yes, a challenging year. On a positive note, revenue grew 2% to \$504m on the back of top line growth in both divisions. However, Operating Profit and Net Profit After Tax Attributable to Shareholders were down 7% and 20% respectively, on the back of the challenges Kim has mentioned. Pharmacy Operating Profit and Medical Operating Profit were both down 8%. I'll take you through more detail on the drivers of that shortly.

Looking at Revenue on the left of this slide, you can see continued growth in the top line, now at \$504m. This growth was driven by the medical acquisitions, along with strong prescription volumes. On the right hand graph you can see things have settled after the record COVID profit year, with Operating Profit now at \$31.8m. The year-on-year drop is due to labour cost pressures, lower retail revenue and reduced COVID-19 services.

In the top left graph, you can see the company delivered \$12m Net Profit After Tax Attributable to Shareholders and in the bottom graph you can see this equated to 8.4 cents per share. The top right graph shows the dividends paid per share. In FY24 this was 34 cents per share. The driver of this spike was the 28 cent special dividend paid in April 2023 following the successful divestment of the Community Health division.

Moving to the gearing ratio, on the left of this slide you can see that the company ended the year with a 17.3% ratio. At the end of the year we had \$32.5m of undrawn facilities. As mentioned, we refinanced our debt facilities during the year - positioning the company well to continue to acquire, as conditions improve. And on the right side you can see the healthy cashflows Kim spoke of with \$46m of operating cash generated in the year. That enabled investment in growth including seven medical centres and one pharmacy. It also supported the refurbishments and upgrades I'll talk about shortly and ongoing investment in technology.

So that was the company overview, next we'll look at each of the two divisions. Before I take you through the divisions, here's a snapshot of what the company looked like at year end. On the left you can see we ended the year with 330 pharmacies in the group - split between the Life and Unichem brands. Our loyalty programme continues to grow - surpassing the two million member mark. And on the right, we closed with 66 medical centres and 423,000 patients. Our team included 464 nurses, 401 doctors and 31 nurse practitioners. From the map you can see that our pharmacies and medical centres are spread from the top of the North Island down to the bottom of the South Island - a massive footprint.

To Pharmacy. Despite the conditions, it was pleasing to see revenue grow 1% to \$364m. Just like other New Zealand businesses we saw labour cost pressures and inflation, which meant that Operating Profit dropped to \$19.3m for the year. In terms of script volumes, we experienced a 7% growth in initial items on a same store basis and overall the Green Cross Health network dispensed 36 million items - that was over 40% of New Zealand's script volume.

After last year's record flu numbers, it was positive to see vaccinations grow a further 5% year on year on the back of nationwide marketing campaigns and an

investment in staff capability. Given the success of pharmacy with flu and COVID vaccinations, it has been good to see the range of vaccinations that pharmacies are able to offer has been extended. Initial uptake in these new vaccinations was strong.

Our Living Rewards loyalty programme is a point of difference for Unichem and Life Pharmacies. As mentioned, we ended the year with over two million members. We rebranded the programme to modernise our image and attract new members. We built on the technology investments we have made in our loyalty platform and introduced interactive marketing programmes to build audience profiles. The more we understand our customers, the more we can engage with them on relevant products and services. Growing the programme is important because Living Rewards members spend 50% more with our pharmacies than non-members.

So what's the plan for the year ahead? With the tough economic climate, offering differentiated products is key and we have invested in sourcing capability to support this. We plan to keep building on our Living Rewards data mining capabilities, ensuring we incentivise and recognise our loyal customers. Retail disciplines are more important than ever. This year we have a focus on lifting the instore experience and managing margins. We are conducting a space and product review in stores, making data-driven decisions to lift the in-store experience and manage margins. Ensuring we are accessible to customers in multiple channels is a focus. This year we are upgrading the Life Pharmacy website to save cost and improve the customer experience. We all know New Zealand's health system is struggling to cope with demand. Government funding is inadequate and in real terms has gone backwards. It's a given that we will utilise our scale of over 300 pharmacies to provide industry leadership and ensure we are advocating for equitable health outcomes for all New Zealanders. And management of costs is a priority given the inflationary environment. We are looking at all costs and challenging how to make each dollar go further. Ensuring our teams have the right technology, training and resources to maximise their productivity continues to be a focus.

On to Medical. In the top graph you can see the continued growth in Revenue - up 5% to \$140.3m in FY24. Again, as we saw in Pharmacy, margins were compressed with Operating Profit down to \$15.0m for FY24. The drivers of this were labour cost pressure and reduced COVID-19 services. We ended the year with 423,000 patients and 66 medical centres. The top right graph shows the number of centres acquired each year. The acquisition of seven centres in FY24 saw us close the year with 66 medical centres. And since year end, we have actually completed one further acquisition. The bottom graph shows the split of the centres by region. While our largest presence is in Auckland with 26 centres, we have centres across New Zealand - from Northland to Southland.

A key part of our strategy in Medical is to keep lifting the patient experience in our centres and to keep building The Doctors brand. In year we again completed three sizeable refurbishments - the results of which you can see in the photos to the right. And we continued the rebrand programme with 44 centres now operating under The Doctors brand.

The plan for the year ahead includes a focus on providing high quality patient care. The move of 28 medical centres to one Primary Health Organisation helps simplify processes and supports more time dedicated to patient care. We continue to look for opportunities to scale through acquisition. However, as Kim noted, that activity has slowed currently given the trading environment. With our scale, we are also advocating for funding improvements given the chronic Government underfunding of the primary care sector. Investment in technology is a must. We now have a standard technology suite and are busy rolling that out to centres to allow us to enhance productivity while providing easy-to-use, accessible services for our patients. Operational improvement is on the agenda for the year. With some of the labour shortages we are facing, innovating and evolving our model of care is crucial. Finally, as in pharmacy, cost and margin management is a given. We are reviewing our largest cost lines, ensuring we are getting the best value from every dollar of spend. So, as you can see, while the economic environment is not easy, we have clear plans and lots to do in both divisions!

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About Green Cross Health

Green Cross Health (NZX: GXH) is a trusted New Zealand primary healthcare provider with multidisciplinary healthcare teams with the purpose of working together to support healthier communities. Green Cross Health is focused on creating sustainable healthcare solutions with positive outcomes and experiences.

New Zealand owned and operated, Green Cross Health operates under branded groups Unichem, Life Pharmacy and The Doctors medical centres, to provide support, care and advice to diverse New Zealand communities.

Green Cross Health provides convenient access to professional healthcare with 330 Unichem and Life Pharmacies covering almost every New Zealand community, as well as 66 medical centres caring for 423,000 enrolled patients.

