

# Investor News

ISSUE 15, SEPTEMBER 2022

## Update from the CEO

At the half-year point, we can reflect on another very busy period across the group - particularly with the Omicron variant emerging in the community earlier in the year. Thankfully, it seems we are now through the worst of this phase of the pandemic.

### OMICRON RESPONSE

Our teams worked extremely hard to keep residents safe and ensure continued operation of our care centres and communities during this period. At times this was very challenging; every community had to make staffing adjustments at some point.

Widespread staffing shortages across the health sector were a significant factor. We had to flex admissions, pausing them at times, or close wings temporarily, in order to right size operations to staffing capacity. Care occupancy returned to 90% in August and continues to improve as Omicron and winter illnesses have less impact on the wellness of our teams.

### SALES REMAIN BUOYANT

Overleaf you will see an update on sales progress for the first five months of this financial year. Broadly, sales activity has continued to be strong across our communities.

After a good end to the last financial year, low levels of available stock in the first couple of months shaped this year's start. But as stock became available, sales increased. In particular, good stock availability at the ex-Arena communities led to higher resale margins being recorded in the second quarter. This resulted in a lift in performance when compared to the same period last year.

Pricing remains solid. The resale prices, achieved on settlements in the current financial year, are on average 6% higher than the independent valuer's assessment at the end of March 2022.

Market commentators continue to point towards a slowdown in the residential property market. The latest REINZ data indicated house prices fell 1.2% month-on-month in August and have fallen 9.5% since the November peak. Median days to sell are trending up, also suggesting a slowing market.



JEREMY NICOLL, CEO

We continue to see elevated levels of enquiries, particularly for villas and care suites. We are not seeing any build-up of stock and our deposited waitlists remain strong.

### FUNDING OUTCOME

The gazetted increase in care funding rates for FY23 has been set at 5.5%, with the new rates effective from 1 September 2022.

A report recently released by independent economics consultancy NZIER found government funding of aged care was low compared to other OECD countries. The report also said that underfunding by the government meant there was little incentive for existing aged care providers to increase investment in new beds or facilities.



*Care suites enable an acceptable return on investment to be achieved within a quality care setting.*

While the provision of quality aged care is core to our mission, we have pursued a strategy of reducing the number of traditional care beds in our portfolio. Last year we divested four of our smaller care centres reducing the needs-based composition of our portfolio. This strategy will continue, and the proportion of care suites in our portfolio will increase. Care suites enable an acceptable return on investment to be achieved within a quality care setting.

*... Continued over*

## OUTLOOK

The aged care sector is contending with unfunded staff cost increases, acute labour shortages and additional costs associated with tackling Covid, as well as general cost inflation. While there are some signs of conditions stabilising, no government funding top-up is expected. Minister of Health Andrew Little has indicated nurse pay parity is on the agenda, but we believe this is unlikely to be resolved until mid-next year at the earliest. This means care margins will continue to be under pressure.

We see continued strong demand for our retirement living offer with prices for retirement units remaining firm, even in a changing property market. Over the last two years there have been rapid increases in residential property prices, but our price increases have been conservative. This has provided us with a 'pricing buffer' and an ability to increase prices, despite the current residential market conditions.

## AGM roundup

This year the annual meeting for Arvida shareholders was held in Auckland at the Cordis Hotel.

Around 100 shareholders and staff were in attendance. It was an opportunity to provide an update on performance and share some of the highlights from the 2022 year.

All resolutions were approved by a simple majority:

- Anthony Beverley was re-elected as a director
- The issue of placement shares in relation to the Arena acquisition was ratified
- The Board was authorised to fix the auditor's remuneration.

The level of discussion and engagement was excellent, and welcomed by the Board and management alike.

The next annual shareholder meeting will be held in Christchurch at the end of June 2023.

In addition, annual resident meetings for all Arvida communities were held during August and September.

## INVESTOR MEETINGS

As part of the Arvida investor relations programme, Jeremy Nicoll and Mark Wells presented the 2022 annual result to advisors of Forsyth Barr, Craigs Investment Partners and Hobson Wealth in a series of meetings. One-on-one and group meetings were also held with a range of New Zealand and offshore institutional investors.

## DIVIDEND

Within the FY22 annual result materials, the board stated that it would target a FY23 underlying profit payout ratio towards the lower end of the target distribution band of 40-60% and, subject to uncertainties around Covid 19 and prevailing economic conditions, the current level of dividend was expected to be sustainable for FY23.

However, with the headwinds encountered over the first half, in order to retain the full year dividend at a comparable level to FY22, a payout ratio around the mid-point of the distribution band is forecast based on the current trading conditions.



MARK WELLS  
CHIEF FINANCIAL OFFICER



*Arvida management look forward to continuing engagement with residents and shareholders.*

In mid-July, Jeremy and Mark travelled to Melbourne and Sydney for a series of one-on-one meetings with a number of institutions. The feedback was broadly positive, with institutions indicating we were the first New Zealand corporate they had met in person since early 2020. We look forward to continuing engagement with our offshore shareholders.



WELLNESS & CARE  
ALESHIA RAYNER

## Wellness & Care Update

### HAPPY 109TH BIRTHDAY AILEEN

Strong faith and family have been the longevity secrets of Aileen Kars, New Zealand's oldest person. Turning 109 in September, the Manawatū-born Arvida resident celebrated with a high tea and reunion with her three granddaughters, who she hadn't seen for almost three years due to COVID-19.

Aileen first moved into Arvida's Palmerston North community Olive Tree back in 1993, as a resident of an original newly-built villa. She then moved into an apartment and eventually transitioned into the care centre where she currently lives.

Olive Tree's village manager Robyn Ballard says Aileen has a great sense of humour, enjoys a sleep-in and is well-known in the Olive Tree community for her love of dancing.

### VILLAGE MANAGERS' FORUM

After an 18-month break, due to the disruption of changing traffic light settings, we recommenced our regular Village Managers' Forum in September. A whole business review was undertaken through multiple workshops held over an intensive three days.

New Zealand adventurer Mark Inglis joined the forum as a keynote speaker. He shared his unique experiences, providing perspective on how teams can meet challenges and prepare for new limits.

The forum was held in Christchurch, which allowed village managers to visit our new care suite centre at Rhodes on Cashmere.

### STAFF SURVEY

At the beginning of the year we started our journey with Peakon, a dynamic staff engagement platform. Our first survey using Peakon was completed in June, with around 70% of our 2,700 team participating. A considerable 13,000 comments were captured by the survey. This is a fantastic result that provided a huge amount of insight into what's happening across the business.

Since the survey, business leaders have been engaging with their teams' comments, sharing their results and

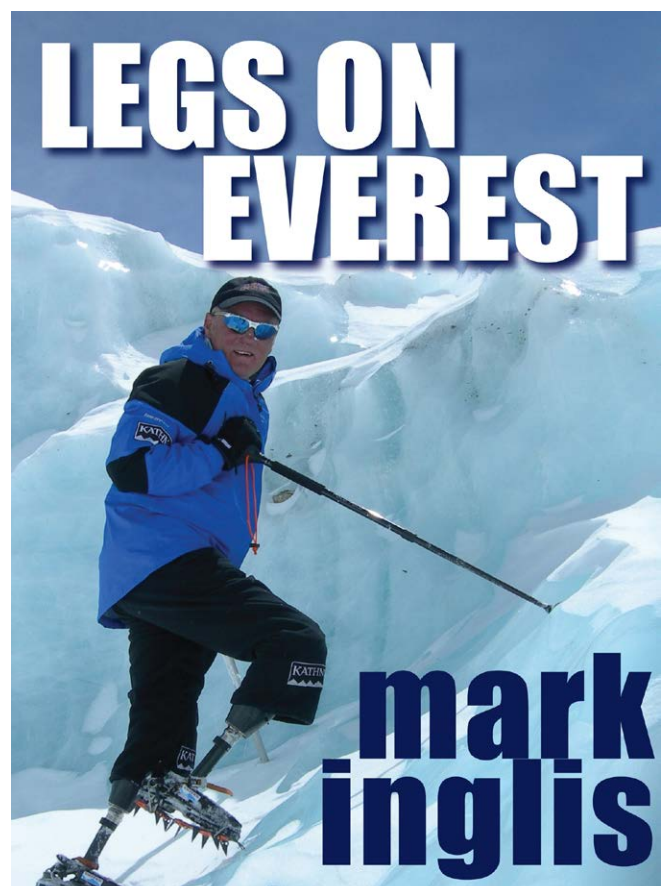


Seven Sharp captured Aileen's special 109th birthday and the reunion with her granddaughters:

### [NZ's oldest person's secrets to a long and happy life](#)

creating action plans. Survey analysis reconfirmed 'meaningful work' as a key driver for staff engagement at Arvida.

The satisfaction of residents and teams is central to Arvida's overall plan. Peakon provides us with the opportunity to check in with our teams more regularly. After a challenging two years, the opportunity to gather, share and analyse feedback widely across the business is powerful, allowing strategies to be developed where required. Our second survey is planned for later in the year.







## ARVIDA 5-STAR RATED AS 'MOST SATISFIED'

We were delighted to receive a 5-star rating in Canstar Blue's 2022 Most Satisfied Customers Award in the retirement villages category.

Canstar is a research company that focuses on providing consumers with information that helps them to make good choices. Their star ratings system is applied to a broad range of services and products, including banks, insurance companies and retirement villages.

Here's an excerpt from the 2022 Canstar Blue report on retirement villages:

*"This year we canvassed the opinions of New Zealanders who either currently reside in, or pay for a retired relative to live in, a retirement village, and asked them to rate their retirement villages across a range of categories, to measure and track their levels of customer satisfaction.*

*Coming out on top is Arvida, the clear winner of Canstar Blue's award for Most Satisfied Customers | Retirement Villages.*

*In this year's awards ranking, Arvida is the only retirement village provider to earn our top 5-Star rating for Overall Satisfaction. In all, out of our six award categories rating main drivers of consumer satisfaction, Arvida achieved five top scores."*

## CARE CENTRE AUDITS

Three certification audits have been completed to the new Ngā Paerewa Health and Disability Services Standard that came into effect on 28 February 2022. Results from the audits are currently pending.

Excluding Rhodes on Cashmere, which has a provisional audit as a newly-commissioned care centre, 65% of our care centres hold 4-year certification.

## NZACA AWARD

Two of our communities, St Albans and Aria Park, were recognised as finalists at this year's New Zealand Aged Care Association (NZACA) awards.

Their award submissions included specific examples of how resident-led strategies have been implemented in their communities. The outcomes from these strategies were measurable in terms of improved resident wellbeing across a range of physical and mental indicators, as well as improved team engagement.

## BLESSING OF TE AWAMUTU SITE

This month elders from Ngāti Apakura blessed the site for our newest community in Te Awamutu.

Waipa District Council Mayor Jim Mylchreest and Iwi relations advisor Shane Te Ruki attended the ceremony, along with representatives from Arvida. The blessing was followed by a full site hikoi to understand the significance of the land and local area.

A dawn ceremony also took place to set the sacred mauri stone (essence and life force) 'Te Whetu Ruahine' (the lens of a female elder) that Ngāti Apakura gifted to heal the land for the future buildings. The manager of the new community Jenny Fraser buried the mauri stone. Significantly, Jenny is the first woman to have buried a mauri stone with Ngāti Apakura.

Carvings on the mauri stone represent the local bird life and landmarks, and the stone itself is Hinuera stone, which is sacred to Ngāti Apakura. The stone was carved by Victor Ranitaawa, Ngāti Apakura elder Bill Harris's nephew. Its design incorporates 'manu' (paua eye), koru (fauna) outer and maunga (mountain).

The name chosen by Ngāti Apakura for the site is Arvida Whai Mauri Ora – Pursuit of Wellbeing. In Te Reo Māori, whai translates as 'pursuit' and mauri ora means 'wellbeing'. This branding fits with a naming style created by our Kerikeri community Te Puna Waiora - The Source of Wellbeing.

*Right: The sacred mauri stone (essence and life force) that was gifted by Ngāti Apakura.*





TRISTAN SAUNDERS  
GM SALES

## Sales Update

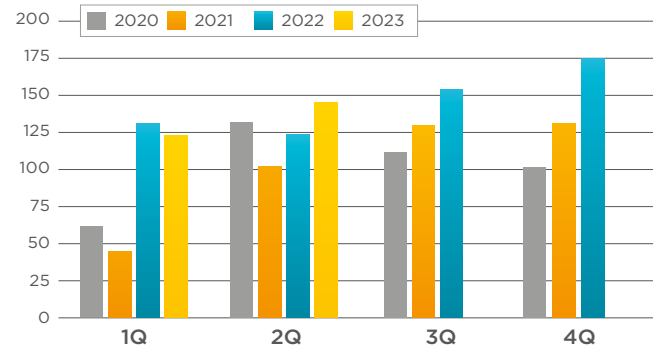
### A STRONG START TO THE FINANCIAL YEAR

Sales activity is tracking higher than for the same five-month period last year. This is an excellent outcome, considering heightened uncertainty in economic and geopolitical environments, volatility in the residential housing market and the Omicron outbreak peaking throughout New Zealand.

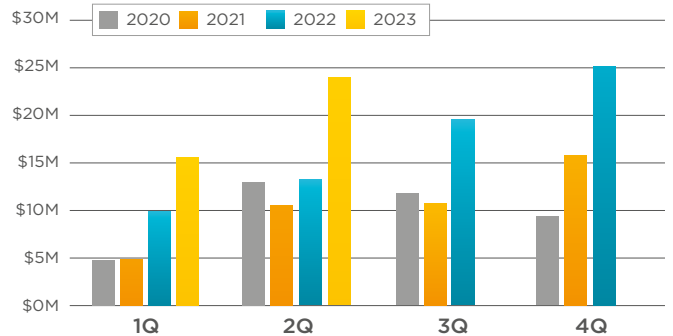
At the end of August 2022, a total of 210 sales of occupation rights (new and resale) had settled. This is a 6% lift on last year's volume for the corresponding five-month period. A change in sales mix, with 38% more villas sold, led to a 36% lift in gross sales value, totalling \$132 million for the period.

Resale activity continues to be a strength, with record gains of \$20.4 million from 124 resales. For the financial year-to-date, the average resale price increased 12% to \$568,000 from the prior financial year end. On average, the unit pricing on settled resales is 6% above pricing assumed by our independent valuers in the March 2022 valuations. Resale margins have also lifted to 30% this year, compared to 23% in the previous year. Settlements of new units have been equally strong, with gains of \$9.9 million - up \$1.4 million on the prior corresponding five-month period. Gross new sales of \$61.7 million were recorded through to August, with the average new sale price increasing 13% to \$718,000.

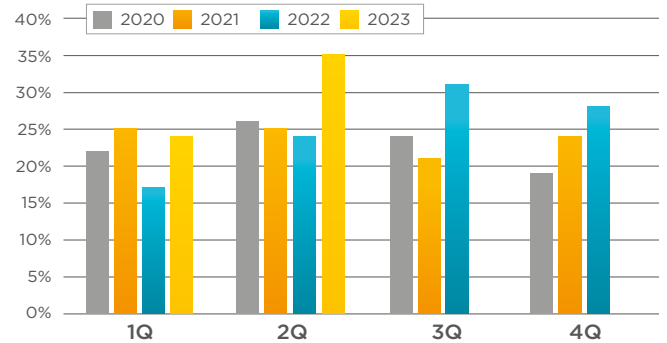
### TOTAL NUMBER OF SALES\* (Units)



### TOTAL GAINS ON SALES\* (\$ millions)



### RESALE MARGINS (%)



\* Aggregated for new and resale units. 2Q 2023, based on settled sales and estimate of contracted sales due to settle in September.

The prior corresponding period included the sell-down of care suite developments at Aria Bay and Copper Crest. Sales enquiries remain high and inventory continues to stay low. The Covid years have taught us that the choice of retirement community living is driven by a combination of factors, including community, security and lifestyle.



The average new sale price increased 13%, despite the prior corresponding period including the sell-down of care suites at Copper Crest and Aria Bay.





JONATHAN ASH  
GM DEVELOPMENT

## Development Update

This year's construction programme targets an increased build rate of 250+ new units, up from the 221 new units delivered last year.

We are on target to exceed our FY23 construction programme, with 51 new units to be delivered this first half-year and another 218 units planned for delivery in the second half-year. This will result in an annual total of 270 new units.

Much of the second half's delivery is represented in developments completing at Aria Bay (57 apartments) and Lauriston Park (63 care suites). The balance of units to be delivered in the second half are spread across eight communities and are all of villa typology.

When Omicron was spreading rapidly across New Zealand in the early months of this year, it was challenging to maintain full construction teams on-site.



*An aerial view of the new care centre at Lauriston Park being constructed.*

As a result, some projects were interrupted as site works were paused to meet health and safety requirements. This has resulted in some deliveries being pushed further into the fourth quarter.

We are now starting to see a general improvement in building material supply lines. The team is actively monitoring suppliers to ensure materials are secured to meet our planned development programme. Cost pressures continue to be a factor and have slowed construction activity in some sectors. This has helped to release materials supply and alleviate some pressures, particularly access to labour.

Work is in progress across 13 sites, including earthworks at our two newest greenfield sites in Te Awamutu and Waikanae Beach. Enabling work has also commenced at Bethlehem Shores and Queenstown Country Club for upcoming care suite developments.

Community Name	FY23 Target	
Te Puna Waiora, Kerikeri	25	<b>9 villas</b> delivered.
Aria Bay, Auckland	57	Construction of the final stage of 57 apartments continues with delivery timed for 4Q.
Peninsula Club, Auckland	13	Construction of 13 apartments is nearing completion with fitout underway.
Bethlehem Shores, Tauranga	23	<b>15 villas</b> delivered in the first half, as part of a stage that comprises 59 villas. A further 13 villas are to be delivered in 2H.
Lauriston Park, Cambridge	63	Construction is progressing well, with 63 new care suites to be delivered in 4Q.
Glenbrae, Rotorua	4	<b>4 villas</b> delivered. Work has commenced on refreshing the clubhouse facilities.
Mary Doyle, Havelock North	6	<b>6 villas</b> delivered. Work has commenced on a new resident clubhouse.
Lansdowne Park, Masterton	10	Civil and earthworks have been largely completed. Construction of the first villas has commenced, with framing up.
Village at the Park, Wellington	8	Construction of villas is progressing well, with the reconfiguration of the entranceway now complete.
Waimea Plains, Richmond	31	<b>5 villas</b> delivered. Construction continues at pace with a strong forward waitlist in place. Plans progressing for the construction of the care facility are to commence next year.
Queenstown Country Club	30	<b>12 villas</b> delivered. Construction has commenced on the balance of 24 villas to be delivered in FY23. Slabs have been laid for the care and apartment building.
<b>TOTAL</b>	<b>270</b>	



Significant progress has been made at Te Puna Waiora, with the waitlist for Stage 3 villas filling.

## GREENFIELD SITES

Three greenfield sites are under conditional contract. All are broad-acre sites located in rural/urban fringe areas. Combined, the sites add an estimated 600 ILUs and 100 care suites to our future development pipeline. The acquisition of each site is subject to consents being obtained by the respective vendor over the next 6-12 months.

## INDUSTRY RECOGNITION

The care centre and apartment development at Copper Crest, completed in 2021, was recognised as a finalist in the multi-unit residential category of the Property Industry Awards this year. We congratulate the development team on well-deserved industry recognition and extend thanks to our consultants, subcontractors and suppliers for their support.

As well as winning the 'Commercial Pool of Year' category at the NZ Pool Awards, the swimming pool at Bethlehem Shores won three categories at the 2022 SPASA Australia Awards of Excellence.

# Sustainability Update

## WAIMEA PLAINS RECOGNISED

Waimea Plains came out on top in the 'Resident-led Sustainability Initiative' category at the Retirement Villages Association Awards.

Waimea Plains won the award by demonstrating how they have worked hard to incorporate Arvida's 'Attitude of Living Well' and sustainability practices into their community. Their initiatives focus on the five Living Well pillars - moving well, eating well, resting well, thinking well and engaging well.

A range of activities were embedded into each pillar, based on feedback from residents. They range from a resident buddy system and social gatherings through to a cycling group, gardening and baking.

In the words of village manager Jason Edkins: "To us sustainability is not just related to the environment. Being sustainable embraces the view that a community is one where people want to live and where their diverse needs, wishes, independence and unique skills are embraced and promoted."

## BENCHMARKING

A sustainability page - [arvida.co.nz/investors/sustainability](https://arvida.co.nz/investors/sustainability) - has been added to our website. This page provides an overview of our sustainability framework and initiatives, as well as information on our carbon footprint. Copies of our 2022 Climate Related Disclosure Report and Supplier Code of Conduct can be downloaded from the page.



The Resident-led Sustainability Initiative Award was won by Waimea Plains at the Retirement Villages Association Awards

In a survey conducted earlier this year with our top 100 suppliers, we learnt that around 75% of them measure their carbon footprint and almost half of them consider the impact of proposed modern slavery legislation. Positive news on both fronts.

Toitu has commenced the process of auditing our 2022 greenhouse gas emissions. Results will be included in our half-year report, available in November. Outside of our emission reduction target, we are working towards a 20% reduction in our waste this year.

MSCI  
ESG RATINGS



CCC B BB BBB A AA AAA

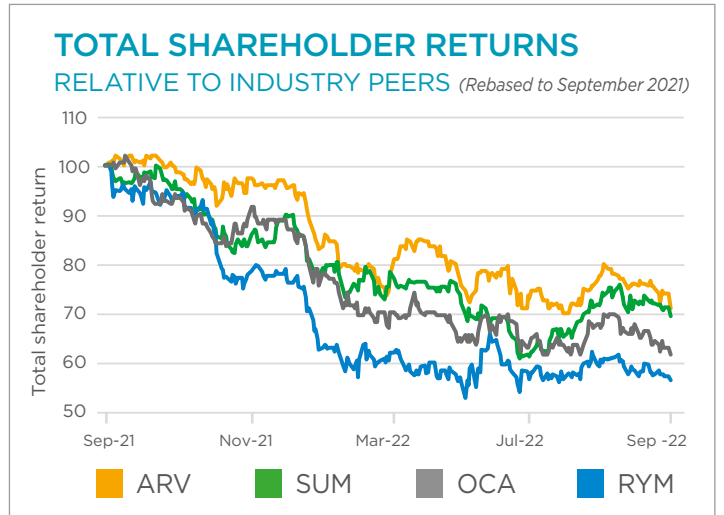
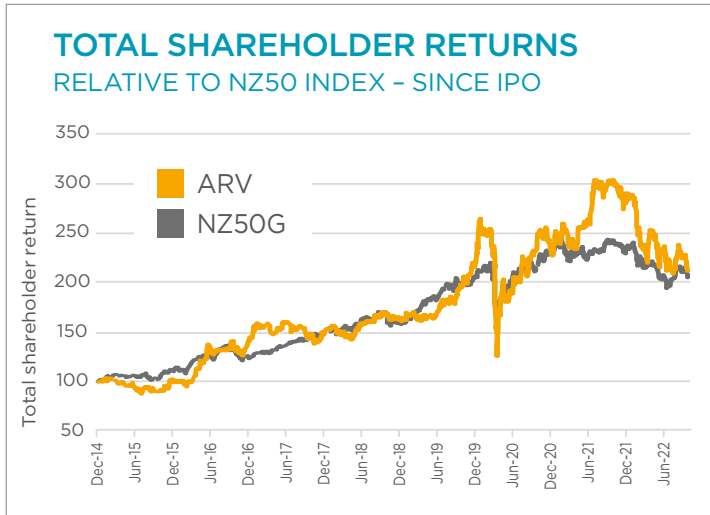


DISCLOSURE INSIGHT ACTION

# Investor Centre

We look to publish an investor update twice yearly. Your enquiries, feedback and suggestions are greatly welcomed.

Source: IRESS as at September 2022.



## ANALYST RECOMMENDATIONS:

Broker	Recommendation	Target Price
Forsyth Barr	Outperform	\$2.30
Jarden	Overweight	\$1.60
Macquarie	Outperform	\$2.27
UBS	Buy	\$2.10

## GO ELECTRONIC

Many of our shareholders have elected to receive communications electronically. This not only ensures they receive shareholder related information promptly, but helps to reduce Arvida's carbon footprint.

If you'd like to change the way you receive communications from us or receive other communications by email, please go to [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

You will need your CSN/Shareholder number and FIN to use this online service. Once setup, you will have ongoing access with your own User ID and password.

## ARE YOUR DETAILS CORRECT?

To change your address, update your payment instructions and view your registered details, including transactions, please visit: [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

Alternatively, you can contact Computershare at +64 9 488 8777 or [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

## Investor Calendar\*

### FINANCIAL YEAR END

31 March 2023

### RELEASE OF HALF YEAR RESULT

29 November 2022

### DIVIDEND PAYMENTS

21 December 2022 (1H FY23)

22 June 2023 (2H FY23)

\* Expected dates, subject to confirmation.



Produced on paper that uses ECF (Elemental Chlorine Free) FSC® Certified pulp from Responsible Sources.

Living a life with soul

