MARKET RELEASE
ARVIDA FY23 RESULTS

Highlights:

- Underlying profit[1] of $88.0 million, up 20%
- Total sales of $376.4 million, up 16%
- 215 new units delivered
- Gearing at 30.5%
- NTA at $1.90 per share
- Final dividend of 2.35 cents per share

30 May 2023 – NZX listed retirement village and aged care operator Arvida Group Limited (Arvida) today announced a record underlying profit of $88.0 million for the full year ending 31 March 2023, up 20% on FY22.

Net profit after tax at $82.5 million, which includes fair value movements in investment property, was 59% lower than FY22.

Arvida Chief Executive Jeremy Nicoll said overall the business had delivered a sound result on the back of record resale and new sale settlements of occupation rights for the year.

Sales activity

"We have had a very strong year for sales, up 16% on the prior year, to $376.4 million. The retirement living side of our business continued to experience high demand and delivered solid sales performance for the year," said Mr Nicoll.

Resale gains increased 59% on FY22 to $69.1 million. This reflected a full year contribution from the villages acquired in November 2021, higher resale pricing firming margins from 26% to 32% and a 10% increase in volumes to 371 units.

This strong resale performance was reflected in a 30% increase in annuity EBITDA to $83.6 million.

Development gains from new sales were up 10% on FY22 to $27.8 million, despite new sale volumes being down due to delays in the delivery programme from weather and supply disruptions. Arvida said the improved development gains reflected a 25% increase in average pricing of the settled new units and a higher margin.

Development

In total 215 new homes were delivered in the 2023 financial year, with the 57 apartment Aria Bay development now expected to complete in this first half year.

Included in 2023 deliveries was the completion of the new care centre at Lauriston Park in Cambridge. The new care centre has 63 care suites, including 15 for residents living with dementia, and a range of amenity such as a café, lounges, garden and event spaces.

Mr Nicoll said that the development, construction and care teams collaborating to bring another premium product to market was a highlight for the year. Other recently completed Arvida purpose-built care suite centres are Aria Bay in Auckland, Copper Crest in Tauranga and Rhodes on Cashmere in Christchurch. All offer premium aged care accommodation and are certified up to hospital-level care and support.

“We continue to experience high demand for our care suite product with it now forming a core part of our standard master plan for new greenfield developments,” said Mr Jeremy Nicoll. “We broadly target new sites that yield 200 villas, 35-60 care suites and a range of amenity for residents.”

Arvida had confirmed the purchase of a further two greenfield sites during the year; 11 hectares in Lincoln and 55 hectares in Warkworth.

Warkworth is the sixth greenfield site purchased, with Arvida now having future capacity to build over 2,200 villas and care suites. Nicoll said the Company’s growth focus had firmly shifted to realising value from the sizable landbank established.

Balance Sheet

Total assets had increased to $3.8 billion during the year, with $3.4 billion of investment property.

Gearing at 30.5% continued to be the lowest in the listed sector and within the stated target 25-35% range.

Arvida independent chair Anthony Beverley noted that the Board and executive team had placed considerable focus on confirming a robust framework continued to apply to capital commitments, balance sheet capacity and cash management.

“The level of uncertainty in the economy and property market requires an especially prudent approach to development activity. Our focus is on ensuring we have the capital disciplines in place to continue to build through the current cycle well within funding limits.”

Dividend

A final dividend of 2.35 cents per share was declared that will be paid on 22 June 2023. Shareholders will receive a dividend reinvestment entitlement with a 2% discount applying.

The Board has amended the dividend policy to a payout ratio of 30%-50% of underlying profit from 1 April 2023. Guidance is provided for FY24 dividend payments to be at the bottom end of the amended range.

Mr Beverley said this would ensure a better matching of stable free cash flows to distributions as the Company’s cash flow profile matures.

Outlook

Government policy continues to shape the sector’s care strategy and frustrate a return to sustainable profitability. Policy most affecting aged care primarily relates to workforce, pay disparity and funding adequacy.

The government has responded to sector advocacy with a process to reduce nurse pay disparity as well as including nurses on the green list pathway for residency. Neither have had a discernible impact on resolving sector workforce issues yet.

As a for-profit operator, generating an acceptable return for the capital invested, that also allows for reinvestment in the business, is critical. Government funding of aged care has not kept pace with the costs and has worsened in the current inflationary environment. This policy gap can only lead to poor outcomes for New Zealand as capacity closes or service quality deteriorates on inadequate economics.

Over the second half of the financial year, the operating performance of our care business improved primarily driven by a recovery in care occupancy with less Covid in the community.

Chair Mr Beverley said Arvida's transition from traditional care beds to a care suite model is designed to preserve care profitability.

"This approach is proving to be the right one for the business and will form a continuing part of our strategy. The Company is well placed in terms of its underlying business model and strategy to progress and grow. We are focused on balancing the need to ensure the business is tightly managed while investing appropriately in our people, systems and portfolio to ensure we are well placed going forward. As a long-term investor in retirement living and aged care assets, the investment decisions made today impact on our future value creation."

– ENDS –

For more information, please contact:
Jeremy Nicoll, Chief Executive Officer, Arvida Group Limited
Tel: +64 21 403 665 or email: jeremy.nicoll@arvida.co.nz

Mark Wells, Chief Financial Officer, Arvida Group Limited
Tel: +64 21 327 054 or email: mark.wells@arvida.co.nz

About Arvida:
Arvida is one of New Zealand's largest aged care providers owning and operating 36 retirement villages located nationally with over 6,750 residents. Each village operates independently under a corporate structure that supports village operations to ensure quality and consistency of service. Arvida provides a continuum of care that extends from independent living to full rest home, hospital and dementia-level care.

Arvida's growth strategy includes the targeted development of new villages in areas that are supported by a strong demographic and economic profile and acquisition of quality villages that meet strict acquisition criteria as well as the development of additional facilities at existing villages.

Arvida is listed on the NZX (NZX: ARV). Website: **www.arvida.co.nz**

Summary financial performance

	FY23	**FY22**	**FY21**
Total revenue ($M)	222.0	201.7	174.5
Net profit after tax (IFRS) ($M)	82.5	198.9	131.1
Underlying profit[1] ($M)	88.0	73.5	51.9
Annuity EBITDA[2] ($M)	83.6	64.6	48.3
Net operating cash flow ($M)	152.6	151.8	130.8
Total assets ($M)	3,762.0	3,396.9	2,181.7
Underlying profit per share (cents)	12.2	12.0	9.6
Dividend per share (cents)	4.85	5.50	5.40

[1] Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in property values with the Board's estimate of realised components of movements in investment property value and to eliminate other unrealised, deferred tax and one-off items. A reconciliation is included within the Annual Report and the Investor Presentation.
[2] Annuity EBITDA is a non-GAAP unaudited financial measure that adds back interest and depreciation to Underlying Profit and excludes gains on sale of new units.