

PROMISIA FY23 RESULTS

Year of investment as growth strategy progressed.

FY23 Results Snapshot:

- Revenue up 20% year on year, to \$23.8 million.
- EBITDAF¹ of \$3.5 million.
- Underlying EBITDAF² of \$4.0 million, up 13% year on year.
- Net profit after tax of \$0.6 million.
- Comprehensive income of \$1.3 million.
- Total assets of \$71.8 million.
- Good progress on growth initiatives including the Ranfurly Manor development, acquisition of Aldwins House land and buildings and investment into systems and people.
- Well positioned to deliver increased earnings and growth in FY24.

Promisia Healthcare Limited (NZX: PHL) has released its unaudited, preliminary results for the year ended 31 March 2023 (FY23), reporting a year of continued strategic progress and solid returns.

The primary focus over the past year has been to establish strong foundations for Promisia's future growth. Investment has been made into systems and people, while continuing to drive efficiencies across the business. Growth initiatives have also been progressed including advancing the Ranfurly Manor village development in Fielding and increasing occupancy at Aldwins House in Christchurch, with the land and buildings acquired at the start of the financial year.

Acting Chair of Promisia, Helen Down, said: "We are pleased with the progress being made as we continue to focus on delivering quality personalised care to our residents. Promisia is a small but well positioned and nimble business. Our strategy positions us to take advantage of market trends – our focus on provincial New Zealand, our reputation for quality care and respect for our residents, and our growth strategy. The investment we have made into our business in FY23 will deliver efficiency gains and benefits from FY24 and onwards.

"Once again, our heartfelt thanks go to our wonderful people, for their dedication and the care they provide for our residents and each other, despite the ongoing challenges of the pandemic and extreme weather events. We are pleased to have welcomed a number of new team members in recent months from overseas, who will help support our vision of delivering the care people need as they age."

Income for the period increased by 20% to \$23.8 million. Revenue is sourced primarily from Government funding (approximately 70%) with the remainder from private payment. Promisia is strategically shifting the mix of revenue to generate a greater share from private payment for care suites and independent living units. During the year, there were 11 new sales and 9 resales of occupation rights agreements (ORAs) completed.

¹ EBITDAF is operating earnings before interest, tax, depreciation, amortisation and fair value adjustments and is a non-GAAP number.

² Underlying EBITDAF is EBITDAF excluding transactions considered to be non-trading in nature or size. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group. Non-trading adjustments of \$0.52 million are included in the preliminary FY23 results. A reconciliation is provided at the end of this announcement.



The challenging macro-economic trends including inflationary pressure and a tight labour market, particularly for nurses and care givers, have led to increased costs. Careful cost management has helped to mitigate some of this impact. Earnings excluding fair value movements (EBITDAF) were \$3.5 million for the period, down 23% on FY22 which included a \$0.9 million gain on lease termination related to the acquisition of Aldwins House land and buildings. Underlying EBITDAF, which excludes non-trading and one-off transactions, was \$4.0 million, 13% higher year on year. The Group reported an FY23 net profit after tax of \$0.6 million. There was a further fair value increase to properties, not classed as investment properties, of \$0.7 million bringing comprehensive income for the year to \$1.3 million.

At 31 March 2022, total assets were \$71.8 million, with the increase of \$20.2 million due to the acquisition of Aldwins House land and buildings which occurred on 1 April 2022, growth in the Ranfurly Manor village and purchase of three properties for development in March 2023. Cash and cash equivalents currently sits at \$2.0 million. Debt increased by \$13.7 million to \$30.9 million, including debt associated with the acquisition of Aldwins House.

Positive progress on strategic initiatives

The primary focus areas in FY23 were continuing to strengthen the foundations of the business to support future growth, progressing the Ranfurly Manor village development, and increasing occupancy and operational efficiencies at Aldwins House.

Investment has been made into people and technology, including the launch of a new payroll and rostering system, as well as standardising systems across Promisia's four facilities.

The development on existing land at Ranfurly Manor village is progressing well, with ten care suites completed and the 32 villas either completed or under construction. In November 2022, Promisia announced a variation to the development agreement, agreeing an increase in the fixed cost agreement with the developer, in recognition of increased construction costs. In return, the developer has agreed to shorten the construction timeframe from 2027 to 2024. The current expectation is that construction should be completed in mid-2023.

Occupancy has continued to build at Aldwins House and, along with a focus on improved efficiencies, Aldwins House has now moved from a loss making position in FY22 to a profitable position as at 31 March 2023.

Promisia has historically been a provider of residential aged care, however, a key part of its strategy is to broaden the revenue base and reduce the reliance on Government funding. In line with this, Promisia is investing in more care suites, which carry an additional revenue supplement in return for greater service levels, amenities and aesthetics; as well as developing more independent living units (villas and apartments), with occupational rights agreements paid for by the resident. Promisia also benefits from additional services paid for by the residents, as well as gains on the value of the property on resale.

Several potential acquisitions and greenfield development opportunities have been assessed, however, the Board is mindful that these must meet Promisia's investment criteria and be value accretive for shareholders. In March 2023, the company announced three small but important land acquisitions, which abut existing properties and provide immediate and future development potential. Acquisition of these properties also protects Promisia's investment in two of its key facilities. The company also sees opportunities to grow through the acquisition of existing aged care facilities with development potential or that offer strong returns.

Outlook

The demographics and future projections for the aged care sector remain attractive, with increasing demand for care, particularly in provincial New Zealand which is often under-resourced. With the number of people aged over 75 years expected to double to 600,000 in the next 12 years, new facilities will need to be built to meet demand.

Promisia will continue its successful growth formula, which is underpinned by four key pillars:

- Stronger business – investing in business and people to create a robust scalable platform for growth.
- Maximise occupancy – by offering quality care at existing and future facilities, and repurposing beds as needed to meet market demand.
- Diverse revenue streams – increase the focus on independent living options, broaden the range of services at each facility and increase the number of higher acuity beds.
- Network expansion - grow Promisia’s network through strategically located value-accretive acquisitions, brownfield and greenfield developments.

The Board and management are preparing for another year of increased earnings and business growth in FY24, as Promisia continues to deliver high quality care and positions itself to be the aged care facility of choice in each of its communities.

ENDS

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About Promisia Healthcare

Promisia’s facilities are located in well-established and well serviced towns that have strong communities. Currently, Promisia owns and operates four facilities nationally, including two that are in the top 30 largest aged care facilities in New Zealand. The company has a diversified growth strategy that includes maximising occupancy at existing facilities, diversifying revenue streams and growing its network through strategically located value-accretive acquisitions. Promisia also undertakes brownfield and greenfield developments.

Promisia Healthcare Limited is listed on the Main Board of the NZX (NZSX) with the ticker ‘PHL’.

www.promisia.com

NON-GAAP Financial Information

Reconciliation of EBITDA to Underlying EBITDAF

‘000	FY23	FY22
EBITDA	3,504	4,251
Fair value movement in property	(47)	222
EBITDAF	3,457	4,473
Gain on termination of lease	-	(943)
Discretionary Executive Director payment*	120	-
Holiday pay provision	400	-
Underlying EBITDAF	\$3,977	\$3,530

*Payment made to Tom Brankin for services rendered during the financial year