MARKET RELEASE
ARVIDA 1H FY23 RESULTS

Highlights:

- IFRS Net profit after tax of $89.2 million, up 18%
- Underlying profit[1] of $38.9 million, up 46%
- Gearing ratio of 28%, retained at low end of target 25-35% range
- Operating cash flow of $77.4m, up 12%
- Total sales of $168.2 million, up 31%
- 51 new units delivered, on track to exceed FY23 development guidance
- NTA increased to $1.93 per share
- Interim dividend of 2.5 cents per share

29 November 2022 – NZX listed retirement village and aged care operator Arvida Group Limited (Arvida) today announced net profit of $89.2 million for the six month period to 30 September 2022.

Arvida Chief Executive Jeremy Nicoll said overall the business had delivered a sound result for the six months reporting underlying profit[1] of $38.9 million that was up 46% on prior period performance. This translated into a 10% increase in earnings per share.

Sales momentum

"The retirement living side of our business continued to experience strong demand and delivered solid sales performance for the six months," said Mr Nicoll.

The total gross value of all occupation rights sold increased 31% to $168.2 million. This was driven largely by a 59% increase in resales activity to $93.5 million. Settlement volumes were made up of 164 resales and 105 new sales.

Arvida reported resale gains up 138% to $28.3 million on higher pricing and volume. Prices of settled resales were on average 6% above pricing assumed by the independent valuers in the March 2022 valuations.

Markedly higher margins at the Arena villages that were acquired in November 2021 underpinned the improved resale margin performance of 30% for the period. This compared to a resales margin of 21% in the prior corresponding six months.

The margin on new sale settlements was 20%, with new sale gains of $14.9 million reported.

Omicron impact

A combination of restricted care admissions and higher employee costs impacted care performance.

Commenting Mr Nicoll said, "the operational challenges of managing Omicron, as well as very difficult government funding and immigration policy settings, had had a considerable impact on care profitability in the period."

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[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 Interim Report and the Investor Presentation.

The Government this week announced that it intends to address nurse pay parity. Arvida said it welcomed this progress and looked forward to details being provided in due course.

Recent changes to immigration policy settings had started to address nurse resource gaps and moderate staffing pressures. However Mr Nicoll said providing overseas nurses with an immediate pathway to residency would better help the sector to attract nurses and alleviate the extraordinary stress many in the sector have been under.

"Our priority over this period has been to look after our residents and teams. We have made good progress in developing an enduring employer-of-choice strategy as part of looking for ways to better support our teams. This is a critical part of our product offering that continues to underpin the quality of our resident's experience."

Portfolio activity

During the period Arvida delivered 51 new homes across 6 retirement communities. Jeremy Nicoll confirmed Arvida is on track to exceed current development guidance and deliver 219 homes in the second half.

Some construction activity was interrupted during Omicron as site works paused to meet health and safety requirements. Arvida said this had resulted in second half deliveries being pushed towards financial year end, deferring some expected new sales activity into the subsequent reporting period.

One 11 hectare parcel of land located in Lincoln was added to the development pipeline in the period with an additional two greenfield sites under conditional contract. These sites are also in urban fringe locations providing Arvida with the ability to develop its preferred broad acre villa-led retirement community.

Arvida's development pipeline allows for the future delivery of some 2,100 homes. The high proportion of villas in the pipeline allows construction activities to flex more readily to meet demand.

Sound balance sheet

Total assets grew to $3.6 billion, up from $3.4 billion at the start of the financial year, reflecting increased development activity and an increase in the fair value of the villages. Embedded value in the portfolio grew from $977 million to $1.1 billion.

The net tangible asset backing increased to $1.93 per share.

At the end of September, the refinancing of existing bank debt facilities was announced. An additional $50 million was added to increase the banking facility to $575 million. The total limit of facilities increased to $700 million (including the retail bond) with a weighted average tenure of 3.2 years. Balance sheet gearing was 28% and remained at the lower end of the target range. Subsequently, proceeds of $24 million were received from the sale of residual land that was bought as part of a super lot at Waikanae Beach. This effectively reduced gearing to 27%.

Sustainability progress

Standard & Poor's corporate sustainability scorecard rated Arvida in the top quartile of peers globally.

Arvida is on target to meet a 20% reduction in emissions by 2025 on an intensity basis. Some of the recent sustainability-focused initiatives implemented include completing a waste tender, solar panel installations, retrofitting LED lighting, and energy reduction deep dives at communities.

Sustainability goals form key performance milestones for business leaders and are linked to remuneration.

Interim dividend and outlook

A dividend of 2.5 cents per share has been declared for the six months ended 30 September 2022 with payment to be made on 21 December to those shareholders on the register at 7 December.

The dividend policy targets distributing between 40% to 60% of underlying profit per annum. Based on current trading conditions, an average payout ratio towards the mid-point of the distribution band is forecast to retain the full year dividend at a comparable level to FY22.

The Board has elected to suspend the dividend reinvestment plan for this dividend payment.

Arvida Chair Anthony Beverley said the economic outlook both domestically and abroad has an increasingly negative bias. Regulatory, funding, housing, and healthcare factors present evolving challenges for the sector.

With a difficult economic outlook, delivery targets for FY24 have been retained at the level of 250+ new homes per year.

Funding for aged care continues to materially lag the actual cost of care that is now resulting in the loss of care beds throughout New Zealand. Arvida said it plans to continue to build care suites, or retrofit them where possible, as it sees the demand for care increasing. The weighting of traditional care beds will continue to be reviewed.

With strong demand for retirement village living, an improving aged-care environment and a lowly geared balance sheet, Arvida is well placed to deliver improved performance into the second half of the financial year.

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About Arvida:
Arvida is one of New Zealand's largest aged care providers owning and operating 35 retirement villages located nationally. Each village operates independently under a corporate structure that supports village operations to ensure quality and consistency of service. Arvida provides over 6,750 residents with a continuum of care that extends from independent living to full rest home, hospital and dementia-level care.

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

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

Appendix 1

Summary financial performance

	1H FY23	1H FY22	FY22
Total revenue ($M)	**109.1**	94.0	201.7
Fair value of movements ($M)	**88.6**	69.6	69.6
Net profit after tax (IFRS) ($M)	**89.2**	75.5	198.9
Underlying profit[2] ($M)	**38.9**	26.6	73.5
Net operating cash flow ($M)	**77.4**	69.3	151.8
Total assets ($M)	**3,643**	2,338	3,397
Underlying profit[2] per share (cents)	**5.4**	4.9	12.0
Dividend per share (cents)	**2.5**	2.5	5.5
Net tangible assets per share (cents)	**193**	159	184

2. 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 Interim Report and the Investor Presentation.