FY24 Results Update: Third Age Health Services

Dear Shareholders,

We are pleased to report our full year results for FY24. During the year we progressed in creating more customer value across our core business of providing primary medical care into Aged Residential Care (ARC) settings and our Community General Practices, resulting in a more sustainable growth trajectory.

A focus on continuously improving processes and systems was crucial for stabilising our operations and strengthening the groundwork for sustainable future growth. Initiatives aimed at improving clinician and client retention and attraction showed positive results as the year progressed. Pleasingly we were also able to recruit more clinicians, which enabled us to meet growing demand, and further strengthened our service delivery and client engagement, leading to net organic growth in our core ARC-related business.

Unfortunately, some of our Auckland based Community General Practices continue to underperform. The root causes have been identified and all efforts are being expended to ensure performance is improved in the near future.

Creating Customer Value

Our commitment to creating value and delivering results for our customers saw us execute on several initiatives across our ARC business:

- Completed the build of our proprietary digital clinical platform with the pilot release planned for Q1 FY25 for several customer facilities. This platform is a unique solution that streamlines a range of workflow issues faced by clinicians and facilities. It significantly enhances the quality of care we provide and highlights our commitment to innovation in the provision of primary care to older adults.
- Took over and transformed a practice at Selwyn Village providing primary care to its independent living retirement village residents. A cornerstone of our service at Selwyn Village is the KARE program, a clinical care model for older people's health. Offering nurse-based screenings, check-ins, and assessments, the KARE program ensures that doctor's time is utilised optimally while delivering better patient outcomes.
- Expanded our Nurse Practitioner development program by setting up a physical training base enabling us to facilitate additional intake of nurses who wish to pursue this pathway with us. Nurse Practitioners are an important means of building long-term resilience across our network.
- Produced the Navigating Wellness book, a guide to primary health care for older adults in New Zealand, which will be freely available for use throughout the sector. We are grateful to the CHT Aged Care Fund for helping fund this initiative and the excellent work by our team compiling it.

- We are also piloting new innovative mixed-model virtual / physical services, encouraging collaborative team-based care which over time we plan to extend further across the country.

These investments in improving delivery and engagement with customers are starting to pay off as demonstrated by significant year on year improvements in our Net Promoter Scores (NPS). This has also resulted in positive word of mouth which has been instrumental in driving our strong organic growth with practitioners and new ARC clients requesting our services.

Continuous Improvement

The roll out Kaizen (aka Lean) across the business has now evolved into our Third Age Health Way of Working (TAH WOW). We are particularly proud of what has been achieved by our team in terms of process improvement, waste reduction and embedding this way of working into our operational DNA. The progress made also resulted in the company being recognised as a top three finalist at the NZ Kaizen awards.

Financial Performance

Our core ARC-related business continues to experience strong organic growth with enrolled patients of 4,360 up 18% compared with the number of aged residential care patients enrolled with us at 31 March 2023. This increase drove organic revenue growth for the period of 39% on pcp[1] to $8.823 million.

Community General Practices maintained patient numbers during this year with enrolled patients of 20,430 up 4% compared to 31 March 2023. General Practice revenue in total of $6.868 million is up 30% on pcp.

Throughout the year we have adjusted pricing across both our ARC and General Practice businesses to align with the rising cost of resourcing while ensuring our rates remain competitive with current market demands.

Capital Allocation

In evaluating our approach to allocating capital, we adhered to the principles such as the $1 rule which we outlined in last year's letter. We accelerated the repayment of $1m in high-cost bank debt during the year while also investing in our digital capabilities. After careful consideration, we determined that the acquisition of Hub Aged Care which closed after year end, would deliver solid accretion in intrinsic value per share

During the year, in line with our dividend policy, we distributed 75% of our net profit after tax as dividends along with accelerating this return of capital by shifting from semi-annual to quarterly dividend payments. Notably the total ordinary dividend per share paid during the year was the highest in the company's history.

[1] Pcp: Previous corresponding period

Third Age Health

Looking ahead, in FY25 we plan to grow our dividend per share on the FY24 baseline on a cents per share basis. However, we will gradually over the long-term be targeting a dividend payout ratio of 50-60%. This new payout ratio will provide us with the flexibility to accelerate the repayment of high-cost debt taken on to acquire Hub Aged Care and make other capital allocation choices with a view to ultimately driving average annual growth in intrinsic value per share.

Dividend

We are pleased to announce a final FY24 fully imputed dividend per share, in line with our 75% payout ratio dividend policy of 2.80 cents per share.

Outlook

While the health sector landscape remains complex, marked by an ageing population, practitioner resource constraints and limited, we remain optimistic about ongoing growth prospects of our core ARC related business as we reap the benefits of the investments in processes, systems, and our team. This along with our digital roadmap, has laid the groundwork for further organic growth.

We expect both our organic revenue and underlying profit in FY25 to outpace those of FY24, albeit much more moderately than FY24 outpaced FY23.

In conclusion we want to express our sincere thanks to our customers, partners, team and to you, our shareholders, for your continued trust and support.

Sincerely,

John Fernandes	Tony Wai
Chairman	**CEO**