

PROMISIA 2023 ANNUAL SHAREHOLDERS' MEETING SPEECHES

HELEN DOWN, ACTING CHAIR OF PROMISIA

During the last year, your Board initiated a review of our composition, governance structure and practices, conducted by governance expert, Westlake Consulting. We agreed with Westlake that four particular areas of expertise would be beneficial to add to Promisia's Board, being:

- clinical experience;
- accounting, finance and audit experience;
- more general governance experience; and
- more publicly listed governance experience.

In line with this, the Board appointed Rhonda Sherriff in July 2023 as an independent director for her extensive clinical and governance experience. If elected by shareholders today, the Board intends to appoint her as the new Chair from the conclusion of the meeting.

The Board has also nominated Jill Hatchwell to stand as an independent director for her accounting, audit and finance background along with her listed company governance experience.

Craig Percy was also appointed to the Board during the year and will be standing for election by shareholders today. He has significant and valuable sector experience, having worked in the aged care and retirement village industries for more than two decades.

We believe that the refreshed Board offers valuable skills, industry and governance experience that will be of benefit to Promisia.

As my second 3 year term at Promisia comes to a close today I have chosen to not stand for re-election. It has been a privilege to lead the Board over the last year as we have appointed new directors, invested into growth and appointed a new Group General Manager.

I'd like to acknowledge and thank all of Promisia's people, whose resilience, commitment and efforts over the last three years have been nothing less than extraordinary.

Karen Lake

I am particularly pleased to welcome Karen Lake, Promisia's new Group General Manager, who started with our company just a few weeks ago.

Karen has extensive experience in the aged care and healthcare sectors, and worked for publicly listed providers, Oceania and Ryman Healthcare for a number of years, with her most recent position as Regional Operations Manager for Ryman Healthcare.

Karen's appointment was the result of an extensive recruitment process. She has expertise in areas that are a priority for Promisia, particularly in the delivery of high quality personalised care for senior New Zealanders. Her passion for excellence, innovative thinking and extensive industry knowledge were evident throughout the recruitment process and her ability to build strong teams will continue to lift the standard of Promisia's offer.

I would like to take this opportunity to thank Stuart Bilbrough who stepped down from the CEO role earlier this year, after completing key objectives including strengthening the business operations and establishing a platform for growth.

The Board would also like to acknowledge and thank Virginia Dyall-Kallidas, Promisia's GM Group Facilities. Virginia has been key to this business for several years and is fundamental in driving many of the improvements in each of our facilities. Her passion for the industry, her commitment to our business, and her expertise is very much valued by the Board, her teams and our residents. Virginia is also our lead on iwi engagement and our commitment under the Treaty of Waitangi

About Us

FY23 was our second full year of operating in the aged care and retirement village sector and we are pleased with progress being made as we focus on delivering value for our residents, their families, our communities, people and shareholders.

Promisia owns and operates four facilities, all of which are trading profitably, have strong brand recognition in their communities and are delivering excellent care to their residents.

While a small group compared to other listed providers, two of Promisia's facilities are in the top 30 aged care facilities by bed numbers in New Zealand. Ranfurly Manor in Fielding is actually the sixth largest aged care facility in the country.

Our Strategy

Our mission is to provide the care people need as they age ... our focus is very much on quality, personalised care for senior New Zealanders who need higher levels of specialised care and support.

We have a carefully considered strategy based on four pathways which we believe will deliver long term growth.

Stronger Business

This year a lot of effort has been put into strengthening our business to create a robust and scalable platform for sustainable growth.

Previously our facilities were run on an individual basis; we are now consolidating and integrating these into one group, standardising policies and systems, establishing a new senior leadership team and transitioning to a unified group culture. Investment in new IT systems has been an important part of this transition.

The challenging economic environment including inflationary pressure and a tight labour market, have led to increased costs. We have been particularly conscious of this and our team has been focused on driving efficiencies to create a stronger and more efficient business.

Maximise Occupancy

One of the key drivers in our business is occupancy levels. We have continuing local demand for our facilities in Fielding and Dannevirke and have been working hard to build occupancy at our newest facility, Aldwins in Christchurch. This facility has now moved into a cashflow positive position and made a positive contribution to Promisia's EBITDA for the current FY23 financial year.

The development at Ranfurly Manor Village has been accelerated, with strong demand and sales of the new villas and care suites. This development is now completed, having created a further 14 care suites and 32 villas.

Many of our beds are dual purpose, allowing us to respond quickly to residents' changing needs and adapt our services to suit.

In addition to dual purpose beds, one of our key strengths is our ability to respond and reconfigure our facilities to meet the needs of our communities.

This all helps to ensure occupancy levels are maximised across our facilities.

Diverse Revenue Streams

While we have historically been a provider of residential aged care, a key part of our strategy is to broaden our revenue base and reduce our reliance on Government funding. In line with this, we have a number of strategic pathways. We are investing in more care suites, which carry an additional supplement in return for greater service levels, amenities and aesthetics; and we are 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.

We are strategically shifting the mix of revenue to generate a greater share from private payment for care suites and independent living units.

Network Expansion

Growing our network is also an important part of our strategy, through potential brownfield, greenfield developments or acquisition.

We have a carefully considered approach and any investment or acquisition must meet strict criteria, including strategic objectives and risk profile, and be value accretive for shareholders.

Being small but entrepreneurial, we also consider different finance and partnership options for each potential acquisition.

Over the last year, we assessed five potential acquisitions and greenfield development opportunities. We undertook extensive modelling and due diligence on several facilities and properties with some opportunities discarded and others still under consideration. This process requires significant effort and time and is work expertly carried out by our executive director, Tom Brankin, with the support of external expertise if and when required.

In March this year, we announced three small but strategically important land acquisitions, which abut existing properties and provide immediate and future development potential. Acquisition of these properties also leverages and protects Promisia's investment in two of its key facilities.

FY23 Financial Performance

Results for the year were pleasing during a period of investment in the business especially given our focus on consolidation and investment to prepare ourselves for future growth and operation at scale.

Income for the period increased by 20% to \$23.8 million, excluding a \$0.9 million gain on lease termination related to the acquisition of Aldwins House land and buildings in FY22, revenue increased by 25% year on year.

The challenging macro-economic trends including rising interest rates, inflationary pressure and a very tight labour market, particularly for nurses and care givers, led to increased costs. Careful cost management helped to mitigate some of this impact but it is a constantly moving target.

Earnings excluding fair value movements were \$3.5 million for the period, down 23% on FY22 which included a \$0.9 million gain on lease termination.

Underlying EBITDAF, which excludes non-trading and one-off transactions, was \$4.1 million, 16% higher year on year.

The Group reported an FY23 net profit after tax of \$0.7 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 \$1.4 million.

At 31 March 2023, total assets were \$71.8 million. The increase of \$20.2 million was due to the acquisition of Aldwins House land and buildings, the Ranfurly Manor village expansion and the purchase of three development properties.

Cash and cash equivalents were \$2.1 million as at 31 March 2023.

Debt increased by \$13.7 million to \$30.9 million, which includes debt associated with the acquisition of Aldwins House and other properties.

Network Expansion

Network expansion is an important part of our strategy. I'd now like to invite director Tom Brankin to provide more insight into our plans and recent acquisitions.

See ASM Presentation Slides

Focus on Care

Providing a high quality care that is sensitive and appropriate to people's individual requirements is very important to us. I'd now like to invite Karen Lake to share with you her philosophy on care and her key focus areas as she takes on the role of our Group General Manager.

Karen Lake – Focus on Care

My strengths are in delivering clinical and operational excellence. I have held senior management positions since 2003 and have contributed to a number of significant dementia and care initiatives during this time.

One of the most important things to me when considering the role with Promisia, was the company's values and principles and how these were imbued into the practices of the people both living and working in our facility based communities.

Retirement living is a lifestyle choice. Places are just places without the people to fill them.

What we know is that people move into a village/facility to be a part of a community, feel safe and have the assurance that they can be supported at this time in their lives. Amongst other things, this means having the continuum of care options for that support couples to remain together in the same community as they age. My focus is on building communities where our residents feel connected, safe and well supported.

Our people play an essential role in this. I am passionate about continuing to grow a stable, highly skilled workforce who have Promisia's core values and principles of care instilled in the fabric of their practice. I want these people to be happy in their work, have the opportunity to thrive and to feel that they are a part of a community who deliver the care and support that our residents and their families deserve.

As my first priority since starting, I have visited all our villages to connect with as many of our people as possible in order to understand the culture that exists within each and whether the company values and principles are more than words on a wall.

I have been impressed by the strong teams in our facilities and the sense of comradery and community that exists.

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.

The latest industry report indicates that New Zealand will need an extra 61,000 retirement village units within the next 10 years to keep up with demand.

The number of people in New Zealand aged over 65 rose from 12% to 16.4% of the population between 2001 and 2022. It is expected to reach between 21% and 25% by 2048. The aged care facilities currently available in New Zealand cannot accommodate the expected increase in demand and new facilities will need to be built.

Our strategy positions us to take advantage of market trends – our focus on local communities around New Zealand, our reputation for quality care and respect for our residents, and our growth strategy.

We are pleased with the progress being made and 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 our communities.

The investments we have made into our business are expected to deliver efficiency gains and benefits from FY24 onwards.

Our People

I would like to end today's presentation with acknowledgement of our incredible team of carers, nurses and support staff who provide our residents with care, friendship, joy and respect every day.

They have continued to do this admirably, despite the ongoing challenges of the pandemic and extreme weather events across the year.

We continue to work hard to ensure a rewarding and enjoyable workforce for our people. Health, safety and wellbeing remain a priority for us, and we continue to invest in training and development.

We are fortunate to have a strong, long standing workforce at Promisia, with many of our people recruited from our local communities and through recommendation from current employees. This helps to create the family environment that is such an important part of who we are. We are also pleased to have welcomed a number of new team members across the year, who will help support our vision of delivering the care people need as they age.

Like others in our industry, we have been advocating for higher funding for the sector for some time and, while we were pleased with the Government's commitment for additional funding to bring aged care nurses' pay up to the level of public hospital nurses, the allocated funding has fallen short. Pay equity with the public health sector is essential to attract and retain these vital and qualified members of our team. Without them and our other dedicated carers, we would be unable to deliver the high levels of care we believe all older New Zealanders deserve.

We continue to work closely with the aged care sector to encourage appropriate funding which will allow older people to receive quality care where and when they need it.

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