Arvida Group Limited (ARV)
Market Release
24 MAY 2017

ARVIDA REPORTS SIGNIFICANT LIFT IN NPAT

- **NPAT of $54 million, up $30 million on pcp**
- **Underlying Profit[1] of $23 million, up 47% on pcp**
- **27% increase in underlying EPS**
- **Care occupancy maintained at 95%**
- **Strong resale gains experienced across villages**
- **$40 million revaluation gain on the back of momentum in unit pricing**
- **Final dividend lifted to 1.15 cents per share, bringing total FY2017 net dividends to 4.45 cents per share up 5% on pcp**

Financial Performance

Arvida Group Limited (NZX:ARV) today announced an unaudited result for the year ending 31 March 2017 significantly ahead of last year's performance.

The unaudited result included a full year contribution from the three Aria villages that were acquired in FY2016 as well as partial contributions from the five acquisitions completed during FY2017.

Arvida reported total operating revenue of $101.4 million, 23% ahead of last year, of which $11.0 million was from villages acquired in FY2017.

Unaudited Net Profit After Tax (IFRS) increased to $53.7 million. This included a $40.1m fair value movement from the revaluation of the retirement villages completed by CBRE Limited (CBRE) and an update of care facility land and building values.

Underlying Profit, which removes non-cash and one-off items, increased to $23.1 million representing a 47% increase on the prior corresponding period. The five villages acquired during the year contributed $4.0 million of Underlying Profit.

Commenting on the lift in financial performance Arvida's Chief Executive Officer Bill McDonald said "we have experienced strong demand for our village and care facilities. Occupancy at our care facilities continues to track well above the national rate."

Occupancy at Arvida care facilities was maintained at 95%. Revenue derived from care facilities represented over 70% of total revenue.

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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 deferred tax and one-off items.

Mr McDonald said “On a per share basis Underlying Profit represented 7.7 cents. This was 27% above last year with the strong earnings accretion derived from our delivery to our stated strategy.”

Net operating cash flow increased by $16 million to $40 million mainly due to the new villages acquired in the period.

The equal pay care and support worker negotiations that started in October 2015 recently concluded. The settlement agreement covers all caregivers in New Zealand including Arvida employees. Arvida welcomed the recognition of the important contribution caregivers make to the wellbeing of our residents. We expect the settlement to have a neutral impact on operating earnings, with the increase in pay covered by increased funding from government and private sources.

Total assets grew to $795 million, up $334 million since the start of the financial year. $214 million of investment property was acquired during the period, and this increased $14 million in value by the end of the year.

The net market value of all properties from the latest CBRE valuations increased to $443 million. Embedded value, which is an indicator of future gains and cash flow generation, increased 74% to $117,000 per unit.

External bank debt at 31 March 2017 was $73.5 million, and represented a conservative gearing ratio of 17%. The acquisition of Cascades in December increased bank debt by $21.2 million.

A new facility with ANZ was arranged subsequent to balance date to allow sufficient headroom to fund development activity over the coming years. The $150 million facility is split evenly between 3 year and 5 year maturities. The new facility is to be executed in June 2017.

Development Activity

Brownfield development activity increased substantially over the year with multiple projects in progress nationally. The development programme outlined in the attached presentation delivers 262 new retirement units/beds over the next 2 years. Approximately 100 units are currently under construction with the first residents expected to start moving into units at the end of this financial year.

The development at Rhodes on Cashmere is likely to be the first Arvida village to have a care suite product introduced.

Future planned but unconsented brownfield development activity includes an additional 645 units/beds.

Greenfield Acquisition

On 23 May 2017, a conditional agreement was entered to acquire 8.2 hectares of bare land in Richmond, Nelson. The acquisition at $11 million is subject to completion of re-zoning and subdivision as it forms part of a larger residential subdivision to be developed. The site provides for a $100 million retirement village and integrated care development.

Village Acquisitions

The acquisition of five villages was completed in FY2017. The group now comprises 26 villages (8 more than when floated in 2014), 1,301 retirement units and 1,446 care beds.

The acquired villages represented the best in New Zealand retirement and care facilities. Integration of these villages went well and according to plan. The care facilities at Cascades and Bethlehem Views have continued to operate at very high occupancy levels.

Four of the villages acquired are at the epicentre of a demographic ‘Golden Triangle’ for retirement living and aged care, which encompasses the Auckland, Waikato and Bay of Plenty regions. These regions are experiencing high growth in aged care and retirement living.

Peter Wilson Chair of Arvida said “we continue to see a range of acquisition prospects and will continue to actively consider opportunities that meet our criteria in terms of location, quality of assets and current management, potential for development and earnings accretion.”

To partly fund the acquisition of three of these villages, $41.8 million was successfully raised by a way of an offer of new shares on a pro rata basis to all shareholders.

$24.5 million of new shares were also issued to vendors of villages in the year, with vendors choosing to receive Avida scrip as part consideration.

Operations

Arvida continued to invest in village staff leadership and clinical governance to improve quality of care and engagement with residents. Over the period, clinical teams were restructured to improve accountability, reporting and clinical risk management, teamwork and staff satisfaction.

Six villages now hold 4-year Ministry of Health certifications. Improvements against Ministry of Health criteria have led to the lengthening of certification periods.

The new resident management system is now live and continues to be rolled out across the group. It is a significant change management project that will transform the way care provision is documented and organised on a day-to-day basis.

Considerable work is in progress on key initiatives relating to wellbeing to promote and strengthen our resident centred approach to care. Core to this is the household model of care philosophy and creating an environment that feels like home for our residents. Initiatives will continue to take a needs-based focus recognising that we offer a continuum of care to residents.

Dividend

A final dividend of 1.15 cents per share has been declared in respect of the fourth quarter, to be paid on 16 June 2017 to shareholders on the register at 8 June 2017. The dividend is partially imputed at 0.40 cents per share. A supplementary dividend of 0.18 cents per share will be paid to non-resident shareholders. This makes a total net dividend paid of 4.45 cents per share for the year.

FY2017 distributions represent 62% of Underlying Profit, which is in line with the Dividend Policy to pay out 60-80% of Underlying Profit.

Outlook

The significant increase in investment property value represented a combination of factors including the ageing demographic driving demand and strong house price inflation. It also reflected specific initiatives at some sites including pricing reviews, facility upgrades, new contract terms and the buy-back of unit titles. Strong underlying fundamentals continue to underpin the sector.

Mr Wilson said “Arvida has established a strong operating model with a high component of predictable and resilient cash flows. It is well positioned to continue to perform strongly with high care occupancy levels as well as benefiting from refurbishment and development activity to deliver revenue and earnings momentum. We expect the increased level of dividend to be maintained.”

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About Arvida:

Arvida Group Limited (**Arvida**) is a retirement village group with an emphasis on providing a continuum of care from independent living through to high quality aged care services. Arvida has 26 villages across New Zealand comprising: Aria Bay, Aria Gardens and Aria Park, Auckland; Copper Crest and Views, Tauranga; Cascades, Hamilton; Lauriston Park, Cambridge; Glenbrae, Rotorua; Molly Ryan, New Plymouth; Lansdowne Park, Masterton; Olive Tree, Palmerston North; Waikanae Lodge, Waikanae; Oakwoods and The Wood, Nelson; Ashwood, Blenheim; Ilam, The Maples, Mayfair, Park Lane, Rhodes on Cashmere, St Albans, St Allisa and Wendover, Christchurch; and Bainlea House, Bainswood House and Bainswood on Victoria, Rangiora. Arvida's shares trade on the NZX Main Board under the code ARV. See **www.arvida.co.nz**