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Oceania Healthcare reports steady underlying earnings for the year ended 31 May 2020 despite impacts of COVID-19

Highlights

- Underlying Earnings before Interest, Tax, Depreciation and Amortisation* in line with prior corresponding period at \$63.5m, despite Government lockdown restricting sales of retirement village units in final quarter.
- Total Assets increased by 10.7% to \$1.5bn reflecting significant development capital expenditure and new aged care centres completed.
- Operating revenue increased by \$7.0m (3.7%) due to increased aged care occupancy, higher income from premium rooms and increased income from retirement village operations.
- Reported net loss after tax of \$13.6m due to unrealised movements in the valuation of Investment Property, including changes to key valuation assumptions made in response to COVID-19.
- Underlying net profit after tax* of \$42.9m was \$7.8m (15.4%) lower than the prior corresponding period due to higher interest costs to fund development activity and higher depreciation charges from completed projects.
- Operating cashflow increased 11.3% to \$99.4m as a result of sale proceeds from developments completed in the previous financial year.
- Aged care occupancy of 93.7% at aged care sites not impacted by redevelopment activity, as compared to the prior corresponding period occupancy of 93.2%.
- Final dividend per share declared of 1.2 cents per share (not imputed) payable on 17 August 2020 with record date of 3 August 2020, representing a full year dividend of 3.5 cents per share (not imputed).

\$ million	Year to 31 May		Growth	
	2020 (this year)	2019 (last year)	\$m	%
Operating Revenue	196.4	189.4	7.0	3.7
Reported NPAT	(13.6)	45.4	(59.0)	(130.0)
Underlying EBITDA*	63.5	63.8	(0.3)	(0.5)
Underlying NPAT*	42.9	50.7	(7.8)	(15.4)
Operating Cash Flow	99.4	89.3	10.1	11.3
Total Assets	1548.7	1399.4	149.3	10.7
Total Dividend (cents/ share)	3.5	4.7		

*From continuing operations. Adjustment is included to 2019 for sites divested during 2019



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Aged care and retirement village operator and developer Oceania Healthcare reported steady Underlying Earnings before Interest, Tax Depreciation and Amortisation* of \$63.5m for the year ended 31 May 2020 despite being unable to sell retirement village units during the final quarter of its financial year due to the Government lockdown.

Oceania Healthcare CEO Earl Gasparich advised that “while Oceania Healthcare’s reported loss of \$13.6m reflects changes to key valuation assumptions made in response to COVID-19, it excludes the increase in value of property, plant and equipment from the care suites completed at Awatere (Hamilton) and Green Gables (Nelson). Together, these 151 new care suites added \$21.9m to our assets this year”. In total, Oceania Healthcare’s asset base increased by 10.7% to \$1.5bn in 2020.

Mr Gasparich said “our Underlying Earnings before Interest, Tax, Depreciation and Amortisation – that are adjusted to remove the impact of unrealised movements in the valuation of our investment properties – were in line with the prior corresponding period which is a good result given the challenges presented by COVID-19 and the lockdown that our business endured over the final few months of the year.”

During Level 4 of the lockdown, retirement village operators were unable to show prospective residents through villages or settle applications for new occupation right agreements, which negatively impacted earnings over this time. “We had achieved good sales in the months leading up to the lockdown and were on track to meet our targets for the full year after a strong first half” said Mr Gasparich. “Once restrictions were lifted in Level 2 of the lockdown, we experienced a strong increase in inquiries and have taken significantly higher applications over late May and June than we recorded last year. Many incoming residents have reflected on their wellbeing during the lockdown and now appreciate the benefits of living in a retirement village with a community of neighbours and an environment that provides security and peace of mind.”

None of Oceania Healthcare’s residents living in its aged care centres or retirement villages contracted COVID-19 and staff were also well protected throughout the pandemic. A number of actions were implemented early on to reduce this risk, including restricting visitor access to sites, taking declarations from staff and monitoring travel, enhancing infection control training and ensuring clear and regular communication to staff, residents and their families. “Our teams came up with many innovative ways to keep daily activities going and provide service and attention to our residents. Every one of our 1,200 retirement village residents received a daily wellbeing call from our staff, every day through the lockdown” said Mr Gasparich. “We received a lot of positive feedback from residents and their families regarding the way in which we managed our aged care centres and retirement villages during the lockdown period”.

Mr Gasparich was pleased to report that Oceania Healthcare’s aged care business traded resiliently despite the restrictions of the Government lockdown. “As an essential business, our aged care centres continued to operate throughout the Government Alert Levels, with new admissions taken and stable occupancy levels recorded during this period. We maintained a strong cashflow position as we continued to receive payment from the



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Government for subsidised residents every fortnight and we completed sales of care suites during this time”.

Aged care occupancy was 93.7% over the year ended 31 May 2020, compared to 93.2% last year, primarily due to the investment made in refurbishing Oceania Healthcare’s existing portfolio and in particular converting older, standard aged care rooms into its premium care suite product, which is sold under occupation right agreement. “Aged care is a needs based product” said Mr Gasparich, “hence is a very good, stable business to be in during a time of economic uncertainty.”

Oceania Healthcare’s development programme was slowed in mid-March and then temporarily suspended during Level 4 of the lockdown, with construction at nine sites recommencing in late April. The delay meant the annual build rate for the year ended 31 May 2020 was 176 retirement village units and care suites compared to 265 originally scheduled. “Our development model and construction procurement methodology gives us the flexibility to match our investment cash outflow with future sale proceeds from retirement village units, meaning that we can prudently manage our cash balances and risk”, said Mr Gasparich. Oceania Healthcare is anticipating the completion of 217 retirement village units and care suites for the next financial year, including sites in Tauranga (The BayView) and Christchurch (The Bellevue, formerly Windermere).

Mr Gasparich said “we continue to invest in our people at Oceania Healthcare and paid all site based operational staff an additional \$2 per hour during Level 4 of the lockdown in recognition of the additional work they were doing in difficult conditions. We also provided training to record numbers of our Healthcare Assistants which enabled them to achieve qualifications and receive increases in wage rates during the year. Our employee share scheme achieved a 70% uptake last year and will be offered to all permanent employees again in August this year, giving staff an opportunity to own a stake in Oceania Healthcare and share in our growth”.

Oceania Healthcare Chair Liz Coutts advised that Directors had declared a final 2020 dividend of 1.2 cents per share (not imputed) to be paid on 17 August 2020 with a record date of 3 August. This represents a full year dividend of 3.5 cents per share (not imputed) and a dividend payout ratio of 50% of underlying net profit after tax. A dividend reinvestment plan for our New Zealand and Australian shareholders will apply to this dividend. Participating shareholders will be able to reinvest their final dividend, or part thereof, with a discount of 2.5% on the five day volume weighted average price commencing from the ex-dividend date.

ENDS

For all media enquiries, please contact (0800) 333688

Oceania Healthcare Limited is New Zealand’s third largest residential aged care provider and sixth largest retirement village operator. Oceania Healthcare has a total of 3,846 beds, suites and units located at 46 sites in the North and South Islands.

This release should be read in conjunction with the Financial Statements contained within the Annual Report.

All financial results referred to in this release have been audited.



Appendix

Reconciliation of reported net profit after tax to underlying net profit after tax

\$ million	2020 (this year)	2019 (last year)	Growth
Reported net profit after tax	(13.6)	45.4	(59.0)
add/(less): Change in fair value of investment property and impairment of PPE	5.6	(39.6)	45.2
add: Impairment of goodwill	0.5	8.1	(7.6)
add: Realised gains on resales	11.5	15.1	(3.6)
add: Realised development margin	34.3	29.5	4.8
less: Deferred tax	(14.7)	(13.6)	(1.1)
add: Rental expenses in relation to right to use asset	19.2	6.2	13.0
add: Other	0.1	0.0	0.1
Underlying NPAT	42.9	51.2	(8.3)
less: Divested site earnings	0.0	(0.5)	0.5
Underlying NPAT - Continuing operations	42.9	50.7	(7.8)