

Green Cross Health (NZX: GXH)

Full Year Result Announcement for the audited twelve months ended 31 March 2023

GREEN CROSS HEALTH REPORTS FULL YEAR PROFIT OF \$45.2M

30 May 2023, AUCKLAND, NZ: Listed primary healthcare provider Green Cross Health, the Group behind Unichem, Life Pharmacy and The Doctors, reported Net Profit After Tax Attributable to Shareholders of \$45.2m, an increase on the prior year of 89%. The result included a gain of \$21.8m from the divestment of the Community Health division.

Result Summary:

- Operating Revenue from Continuing Operations of \$493m, up 3%
- Operating Profit (EBIT) from Continuing Operations of \$34.3m, down 29% on last year's record profit
- Net Profit After Tax Attributable to Shareholders up 89% to \$45.2m¹
- Pharmacy Operating Revenue down 2% and Operating Profit down 41% to \$21.1m following a record profit in the prior year
- Medical Operating Revenue up 20% and Operating Profit up 1% to \$16.2m
- Profit from Community Health plus gain on divestment totalled \$30.3m net of tax
- Investment in growth of \$24.3m, including acquisitions of eight new medical centres
- Net cash position as at 31 March 2023 of \$34.7m, up \$13.6m on last year
- Net assets per share increased by 18% to \$1.41 per share
- 28cps (\$40.1m) special dividend paid on 28 April 2023 following divestment of Community Health
- 3.5cps dividend declared to be paid on 23 June 2023.

Group Commentary:

Green Cross Health Group CEO Rachael Newfield commented, "The result for the year ended 31 March 2023 reflects the hard work of all team members at Green Cross Health as we continue to support New Zealand communities through unprecedented times in healthcare. COVID-19 activity, whilst down on the prior year, was still a significant focus for our teams, as well as investment in growth and the delivery of new services to communities.

"During the year, it was pleasing to be recognised by the Randstad Employer Brand Research as one of the Top 10 most desirable places to work in New Zealand. This comes at a time where we're experiencing significant workforce pressure in terms of rate and availability of workforce.

¹ Includes profit from discontinued operation (Community Health division) plus gain on divestment, totalling \$30.3m net of tax. Excluding the discontinued operation, NPAT attributable to shareholders decreased 26% to \$15.0m.

“The sale of Access Community Health and Total Care Health to Anchorage Capital Partners on 28 February 2023 at an enterprise value of \$50.0m contributed \$21.8m to the result and supported the payment of a 28 cents per share special dividend on 28 April 2023.”

Green Cross Health Chair Kim Ellis added, “The sale of Access Community Health and Total Care Health in the year took a significant effort and the Board is pleased with the successful outcome. Whilst Access Community Health performed well over the COVID-19 period, the divestment allows the company to sharpen its focus on the Pharmacy and Medical divisions, with the strategy of acquisitive & organic growth and commitment to sustainable healthcare solutions for all New Zealanders still very much the priority.”

Pharmacy Division

Revenue in Pharmacy decreased 2% to \$360m and Operating Profit for the period decreased 41% to \$21.1m, following a record profit in the prior year. The decline in profit was driven by a change in revenue mix with higher margin COVID-19 vaccination activity replaced by retail and dispensary revenue, as well as increased labour costs compared to the prior period. Dispensary performance was strong, with total prescriptions up 10% versus prior year.

During the year the Green Cross Health Pharmacy network dispensed over 34 million prescriptions, accounting for 40% of total prescription volumes across New Zealand. In addition, the increase in customer awareness around the breadth of vaccinations that can now be provided by pharmacies without an appointment helped drive growth in the number of influenza vaccinations administered, which were up by 93% year-on-year.

Retail sales, up 2.3%, have shown some recovery despite the impact that global supply chain disruptions have had on stock availability. The retail strategy of providing services and ranging products that are differentiated from competitors, continued with expansion of the Green Cross Health branded range into everyday health and beauty essentials along with the launch of a pharmacy sleep apnoea service offering.

The exclusive Unichem and Life Pharmacy App launched in the year has now been rolled out to over 200 pharmacies across the network. The App enables customers to order repeat prescriptions, view prescription history, book services and order over-the-counter products. In addition, customers and pharmacists can connect and interact, enabling pharmacies to further support communities with their healthcare needs whilst fostering customer loyalty.

Investment in a new Living Rewards digital platform which successfully went live in July 2022 provided enhanced functionality that enables pharmacies to deliver targeted offers to customers, increasing average spend per customer. The Living Rewards customer loyalty programme has now reached 1.95 million members throughout New Zealand, with Living Rewards customers spending 65% more than non-Living Rewards members.

Unichem and Life Pharmacy featured in KPMG's global customer experience excellence survey, placing second and fourth respectively within the New Zealand non-grocery retail sector, a survey which was undertaken by 6,500 New Zealand consumers across 130 brands.

Green Cross Health is pleased the Government has announced the removal of the \$5 prescription co-payment from July 2023. This comes after years of advocacy by Green Cross Health, Unichem & Life Pharmacies, the Pharmacy Guild and other industry representatives. This change will improve access to essential medicines for all, particularly those in the community who are most vulnerable.

Medical Division

Medical Revenue grew 20% to \$133m, with Operating Profit up 1% to \$16.2m. A reduction in higher margin COVID-19 swabbing and increased labour costs put downward pressure on profitability in the year.

The Medical division once again achieved year-on-year growth, with the portfolio's national footprint increasing to 61 following the purchase of eight medical centres. Enrolled patients at 31 March 2023 totalled 386,000, an increase of 57,000 (+17%) since 31 March 2022.

Integration of previous medical centre purchases continued, with five practices rebranded to The Doctors in year. Three practices underwent major refurbishments to support an improved patient experience along with enhancing the operational environment and promoting efficiencies. Same centres delivered a 3% increase in revenue year-on-year, the result of a focus on organic growth.

Acute and routine care presentations remained lower than pre COVID-19 levels, although patient visit numbers have lifted versus the levels experienced over the core COVID-19 period. Throughout the financial year the demand for COVID-19 testing services declined and clinical teams moved to caring for COVID-19 positive patients in their homes through telehealth consultations. These were delivered locally by practices as well as centrally by a newly formed COVID-19 Care virtual team to relieve workload pressure on local clinical teams.

Investment in the HouseCall online healthcare service offering resulted in growing a dedicated team and expanding the services offered. This service offering now delivers virtual consultations for casual patients, clinician support to network practices, virtual locums to relieve workforce challenges and workforce wellness services to New Zealand organisations to support their employees.

Investment in IT solutions that deliver practice efficiencies, enable new services and improved patient experience, came from leveraging the division's scale and building stronger business partnerships. These included commencing a roll-out of a standardised practice management system across the network, an integrated patient invoice payment solution, a national SMS text messaging solution and The Doctors App, an own-branded patient portal.

The Medical strategy is to build on employer and medical centre brand equity to grow organically and through acquisitions. Innovation to support the division's workforce to maintain high performing clinical teams is key to success. Increased scale provides opportunities to strengthen relationships with funders and to work more closely with Te Whatu Ora, Te Aka Whai Ora and locally with partners to improve how care is delivered more equitably to communities across New Zealand.

Dividend

The Board was pleased to pay a 28.0 cents per share dividend on 28 April 2023 post the divestment of the Community Health division. The Board has declared a further dividend of 3.5 cents per share (final FY23 dividend) to be paid in June 2023. This final FY23 dividend brings total dividends declared in respect of FY23 to 35.0 cents per share.

Outlook

In the period ahead the Board is expecting to see a return to more normal trading conditions, with patient and customer numbers starting to increase back to pre-COVID-19 levels, though workforce shortages and inflationary pressures will continue to provide headwinds in the near term. Green Cross Health calls on Government to significantly increase funding to help offset cost inflation, enabling the most vulnerable to access healthcare services.

Whilst the last three years have been heavily impacted by COVID-19, the business has been working to improve underlying performance, particularly in the Pharmacy division. Organic and acquisitive growth remains the priority, and the strength of the Balance Sheet will support the execution of this strategy.

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About Green Cross Health

Green Cross Health (NZX: GXH) is a trusted New Zealand primary healthcare provider with multidisciplinary healthcare teams with the purpose of working together to support healthier communities. Green Cross Health is focused on creating sustainable healthcare solutions with positive outcomes and experiences.

New Zealand owned and operated, Green Cross Health operates under branded groups Unichem, Life Pharmacy and The Doctors medical centres, to provide support, care and advice to diverse New Zealand communities.

Green Cross Health provides convenient access to professional healthcare with 342 Unichem and Life Pharmacies covering almost every New Zealand community, as well as 61 medical centres caring for 386,000 enrolled patients.

