

Green Cross Health (NZX: GXH)

Half-Year Result Announcement for the unaudited six months ended 30 September 2023

GREEN CROSS HEALTH REPORTS HALF-YEAR PROFIT OF \$5.6M

29 November 2023, AUCKLAND, NZ: Listed primary healthcare provider Green Cross Health, the Group behind Unichem, Life Pharmacy and The Doctors, reported Operating Revenue of \$250m for the six months to 30 September 2023, up 1% on the prior period. Net Profit After Tax Attributable to Shareholders of \$5.6m represents a 21% decrease on the prior period on a continuing operations basis¹.

Result Summary:

- Operating Revenue of \$250m, up 1%
- Operating Profit (EBIT) of \$14.9m, down 17% due to reduced higher-margin COVID-19 activity
- Net Profit After Tax Attributable to Shareholders of \$5.6m, down 21%¹
- Pharmacy Operating Revenue up 1% and Operating Profit down 25% to \$8.7m
- Medical Operating Revenue up 1% and Operating Profit down 21% to \$7.3m
- Investment in growth of \$7.9m in three new medical centres and eight site refurbishments; two further medical centres acquired post interim balance date
- 2.5cps interim dividend declared, to be paid on 20 December 2023.

Group Commentary

Green Cross Health Group CEO Rachael Newfield, commented, “The first half of the year has been challenging. The result for the six months to 30 September 2023 reflects the drop-off in higher-margin COVID-19 activity compared to the prior period, along with the impact of inflationary labour costs and reduced consumer retail spending. Our teams have worked hard, and are still working hard, to refine our operating models in Pharmacy and Medical given the mismatch between current funding levels and labour cost increases.

“Despite the headwinds of the economic backdrop, we have been selectively growing our primary care national footprint. With the largest pharmacy network in New Zealand, we have seen dispensary growth of 5.9% (same store initial scripts) and following three medical centre acquisitions during the period, we now have New Zealand's largest general practice enrolled patient base with 399,000 enrolled patients over 63 medical centres.”

¹ Comparative (FY23 H1) of \$7.1m excludes profit from discontinued operation of \$4.3m.

Pharmacy Division

Revenue in Pharmacy increased 1% to \$182m, while Operating Profit for the period decreased 25% to \$8.7 million. This result reflects diminished levels of higher-margin COVID-19 activity, a challenging retail environment and significantly increased labour costs. Dispensary growth remains strong with total prescriptions up 3.3% compared to the prior period on a same-store basis, and dispensary performance starting to see some upside from the removal of the \$5 prescription co-payment in July 2023.

Throughout the influenza season, Green Cross Health's pharmacies played a vital role in supporting their communities. Nearly 300,000 vaccinations were administered across the pharmacy network, representing an increase of 3.3% on the prior period and accounting for 23% of vaccinations provided across New Zealand. An integral part of this effort was the 'protect and save' campaign, a Living Rewards promotion run during the season to reward new and existing members, positioning pharmacies to further engage with these valuable customers. Total Living Rewards' members now sit at 1.99m.

Investment in core IT infrastructure also took place during the period with an upgrade of the Finance ERP system to Microsoft Dynamics 365, and the implementation of a new product information system which significantly reduces the time for new products to be made available for sale online.

A shortfall in annual funding when coupled with increasing labour costs and workforce shortages is exerting significant pressure on the viability of some pharmacies. As a result, the Pharmacy portfolio continues to be optimised, with the closure of two stores in Hastings and Christchurch, and the consolidation of two stores in Dunedin. Roster reviews have been conducted at all pharmacies, with a number of initiatives underway to reduce costs and increase operational efficiency, including through further investment in technology. Green Cross Health remains committed to growth opportunities including new service offerings and differentiated products; a market-leading skin care brand along with an exclusive Australia premier weight loss product were both successfully launched during the period.

Medical Division

Medical Revenue grew 1% to \$69m, with Operating Profit down to 21% \$7.3m. Performance reflects a decline in COVID-19 activity and increased labour costs. The portfolio grew during the period, with three new Medical Centres acquired, one in Auckland and two within the Wellington region. These acquisitions increase the size of the Medical portfolio to 63 centres. Enrolled patients at 30 September 2023 totalled 399,000, an increase of 54,000 (+16%) since September 2022.

The rollout of enabling technology continued with the latest MedTech Evolution practice management solution being deployed to a further 25 practices. The recently launched Doctors App saw further enhancement with the ability added to access virtual consult services through the HouseCall virtual

care offering. These new offerings increase the range of services available to patients, workplaces, and to the Medical Centre network.

The constraints of the current funding model for primary healthcare in New Zealand present challenges, particularly given the increased labour costs in the sector. Medical teams have been restructuring the cost base across centres to help minimise the impact of increased labour costs and a shortfall in the annual capitation uplift.

Outlook and Dividend

Green Cross Health acknowledges that the challenging economic environment is expected to remain in the short term. The Company is focused on cost control and leveraging new technologies to enhance its service offerings as well as expanding product offerings, whilst maximising earnings through acquisitions and the addition of funding streams.

The Board has declared an interim dividend of 2.5cps for the half-year ending 30 September 2023, noting that the balance sheet remains strong. Whilst net earnings for 1H24 are down 21% on the prior comparative period, in part due to higher margin COVID-19 activity in 1H23, earnings for 2H24 are expected to track more in line with 2H23.

As the new government works through its initial priorities, Green Cross Health will engage with other primary healthcare providers to advocate for addressing sector funding shortfalls and inequitable access to healthcare. Following the removal of the \$5 prescription co-payment in July 2023, Green Cross Health encourages the new government to retain these co-payment settings, underscoring the improvement this has on access to medicines, particularly for those in the community who are most vulnerable.



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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 338 Unichem and Life Pharmacies covering almost every New Zealand community, as well as 63 medical centres caring for 399,000 enrolled patients.

