# MARKET RELEASE
# SCHEME MEETING AND ANNUAL MEETING ADDRESSES

**25 September 2024** – Arvida Group Limited (**Arvida**) has called a special meeting of shareholders to consider and vote on the Scheme of Arrangement with Stonepeak Alps BidCo Limited.

The annual meeting of shareholders is being held concurrently.

Attached are the addresses and accompanying slides that will be presented at the scheme meeting and annual meeting today.

**– Ends –**

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**About Arvida:**
Arvida is one of New Zealand's largest aged care providers owning and operating 35 retirement villages located nationally. Each village operates independently under a corporate structure that supports village operations to ensure quality and consistency of service. Arvida provides a range of living and lifestyle options from independent living to full rest home, hospital and dementia-level care.

Arvida's growth strategy includes the targeted development of new villages in areas that are supported by a strong demographic and economic profile and acquisition of quality villages that meet strict acquisition criteria as well as the development of additional facilities at existing villages.

Arvida is listed on the NZX (NZX: ARV). Website: **www.arvida.co.nz**

**Scheme Meeting Address**

**1. Details of the Scheme**

As you know, Stonepeak is seeking to acquire 100% of the shares in Arvida by way of a scheme of arrangement.

The scheme booklet, which contains the notice of meeting with explanatory notes and the independent adviser's report, has been circulated to shareholders and I will take these as read.

The booklet provides an overview of how the scheme came about and the considerations the Board had regard to in recommending the scheme to shareholders.

The scheme is the culmination of a programme the Board embarked on to accelerate the recognition of the Company's intrinsic value for shareholders.

I would like to acknowledge the contribution and support of our financial advisers, Cameron Partners and Forsyth Barr. They jointly assisted us to complete a comprehensive review of opportunities we considered were realistically available to the company.

Through this work, it became clear that a full offer for all Arvida shares was superior to the other potential options. This led to re-opening discussions with Stonepeak.

In making its decision to re-open its discussions with Stonepeak, the Board carefully considered developments that had occurred since it first received the unsolicited non-binding indicative offer in September 2023. These included key economic factors such as GDP performance, interest rates and residential housing sales not improving at the rate that had been previously expected by the Board and the impact these factors had on the prospects of the business.

The board believes that the scheme consideration of NZ$1.70 per share reflects a full value for Arvida given the prospects for the business, the economic outlook and the risks facing the business.

It provides shareholders with an opportunity to accelerate the recognition of Arvida's intrinsic value, while mitigating the risks and uncertainties that would otherwise be involved in executing Arvida's strategic plan over time.

**2. Directors' recommendation**

Within the scheme booklet is an independent adviser's report prepared by Grant Samuel.

Grant Samuel assessed the value of Arvida shares to be within the range of NZ$1.63 to NZ$1.94 per share. This includes a premium for 100% control.

It is worth noting that the closing price for Arvida shares on the last trading day prior to announcing the scheme was NZ$1.03 per share. The volume weighted average price over the 180 days prior to that was also NZ$1.03 per share.

Since late 2021, our share price had steadily declined along with most in the sector. Our share price underperformance was a key consideration for directors.

The reasons for the directors' recommendation are set out in the scheme booklet. We have also taken into account the independent adviser's report, which assesses the scheme consideration of NZ$1.70 per share to be within the value range for Arvida shares.

If the Scheme is not implemented and no superior proposal emerges, the price at which Arvida shares trade will very likely be less than the scheme consideration of NZ$1.70 per share. At this time, the Directors have not received and do not expect to receive any other offer to purchase Arvida shares.

The directors' recommendation is that shareholders vote in favour of the scheme. All of the directors have voted all of the Arvida shares held or controlled by them in favour of the scheme. The directors' interests are set out in the scheme booklet.

**3. Next Steps and Key Dates**

The scheme implementation agreement entered into on 20 July 2024 provides that if the scheme is approved by shareholders, and all other conditions are satisfied within the expected timeframe, then shareholders who hold shares on the record date will be entitled to receive NZ$1.70 per share.

Prior to today's meeting, we have obtained from our Statutory Supervisor all consents required of them, and Initial Orders from the High Court have been granted to conduct this meeting. The Takeovers Panel has also provided us with a letter that it intends to issue a final 'no objection' statement.

The outstanding approvals are shareholder approval, which will be sought at today's meeting, receipt of the Takeovers Panel's 'no objection' statement, approval under the Overseas Investment Act and, if shareholder approval is obtained, the final orders of the High Court.

Stonepeak advises that their application under the Overseas Investment Act is progressing well and is at an advanced stage in the approval process.

The timeframe currently anticipates a record date of 5:00pm on 23 October if these approvals are obtained prior to 17 October, the date currently scheduled for the final court hearing. This would see the scheme implemented on 13 November, and you would be paid on that date.

Any change to the timeframe will be announced to the NZX and notified to you.

**4. Voting thresholds**

This is a single purpose meeting for shareholders to consider and vote on the scheme.

For shareholders to approve the scheme, it is necessary that two voting thresholds be met. These are:

- 75% or more of the votes cast by both interest classes must be voted in favour of the resolution; and
- more than 50% of the total number of Shares on issue must be voted in favour of the resolution.

Voting on the scheme resolution has been open to shareholders since 29 August.

I have been advised by Computershare that, as at 24 September (yesterday), proxies have been received in respect of 501,987,258 shares. With 730,985,104 shares currently on issue, this represents proxies for approximately 69% of all Arvida shares.

**5. Voting update**

A voting update is now provided on the screen.

As you can see, voting has been overwhelming in support of the scheme resolution. 67% of total shares have voted in favour of the scheme. Proxies received in respect of each interest class exceed the 75% voting requirement.

Based on this update, sufficient proxies have been cast to meet the voting thresholds and approve the scheme resolution.

For clarity, my fellow directors and I intend to vote all discretionary proxies we have received in favour of the resolution as set out in the Notice of Meeting unless otherwise instructed.

*Questions and Answer session and Scheme voting to follow.*

**Annual Meeting Addresses**

**1. Chair's address**

Earlier this year, we announced that we were underway with a value recognition programme. This had three key limbs: accelerating recognition of the company's intrinsic value for our shareholders; restoring business performance; and balancing our growth cash flows.

While recognising the property market and operating conditions remained challenging, the Board and senior management placed considerable focus on exploring opportunities for business improvement.

The continued decline and under performance of our share price was a key consideration for the Board. We considered it materially undervalued the intrinsic value of the business.

It is worth remembering that the last couple of years have been far from a normal operating environment for most New Zealand companies. There have been some significant challenges to navigate. Covid, economic and property market volatility, government policy – to name a few. The severe and concurrent nature of these events has been quite extraordinary.

Modification to our strategy has been required.

Recent priorities have necessarily had a greater focus on resident wellbeing at a short term cost to shareholder returns. However, the rebalancing of priorities became imperative as the operating environment began to stabilise.

Our financial advisers, Cameron Partners and Forsyth Barr, supported us with assessing options that we considered were realistically available to the Company to accelerate value recognition for shareholders.

This was a comprehensive process that yielded the Scheme as the best option for shareholders.

Alongside this exercise, the team carried out a detailed internal exploration of areas where the existing business, capital structure, operating costs and overall performance could be improved to increase the profitability and resilience of the Company.

This work identified initial annualised operating cost efficiency savings of $10 million, together with core debt reduction initiatives of $200 million. We have progressed much of the cost saving initiatives. The core debt reduction plan is going to take a longer period to complete in the current economic and property market.

The outlook for the property market remains subdued. With inflation and interest rates set to decline, a recovery in the property market should follow. The Board has set strategy with a view that it will take some time for a firm recovery to materialise. Certainty is required before a lift in development activity levels can be positively endorsed.

The investment market continues to seek confirmation and confidence as to the sustainability of the sector in terms of capital structure and capacity, and the ability of the model to recycle capital from developments.

Previously we have indicated to the market that an indicative target of 10-15% of capital would remain invested in our greenfield development projects on completion. As we have evolved and development competencies have matured, the learnings from our past development activity have been captured.

This has resulted in improvements to master planning of developments through standardisation of typologies and refinements to unit mix. We also now have a better understanding of market appetite and greater confidence in the pricing that can be achieved.

The growth side of our business is now well positioned to self-fund over time. Our development and construction projects can achieve positive cash margins and full capital recycling upon completion of a project. However, prior to lifting our capital expenditure and build rate, we will need to see evidence of improvement in the property market and construction conditions.

On ESG matters, we have continued to increase our focus and work in the broader sustainability area. We are committing effort and resource to ensuring our business and operations consider environmental risk and opportunities.

Demand for environmental performance is steadily increasing across our stakeholder groups, including our residents and team. Our climate related disclosures report and emission inventory report are both available from the investor section of our website.

At the last annual meeting we indicated an intention to progress board succession in the coming year. Initial steps were taken with potential new director candidates identified and interviewed. However, an appointment was paused pending the outcome of the value recognition programme and Stonepeak discussions. The board refresh would be back on the agenda should the Scheme not complete.

I would like to acknowledge the contributions of the Board through this last period. A significant commitment has been required from all directors in considering and formalising the Stonepeak proposal, as well as progressing the wider value recognition programme. Thank you.

**2. CEO's Review**

Welcome everyone, tena koutou katoa. It's great to see familiar faces returning to these events. And welcome to all those that have joined us online today.

I'll try to keep my update to just the main points given the events of the day.

We delivered a profit of $139 million for the 2024 financial and an underlying profit of $85 million. Underlying profit was down 3% on the prior year primarily due to an 89% increase in interest costs.

A highlight for the year was our sales performance. Notwithstanding a soft property market for much of the year, we delivered a record sales result reporting over $100m of gains on sales for the first time. There was a 13% lift in the gross value of sales to $427 million, and a 11% increase in the number of units settled. Resales pricing and momentum continue to be positive into this financial year.

It was good to see some recovery in business operations with a 14% lift in operating EBITDA over the year. An improvement in care occupancy to 93% helped. However, we still have a long way to go before contributions from care are restored.

Continued disruption at Health New Zealand has hampered improvement in care occupancy over this first half of the 2025 financial year. In addition, government underfunding of care continues to be a universal challenge for the sector.

We have heard recently that some larger sector participants are deferring care development activity until there is more certainty on policy in this area. This trend is set to remain with more closures likely until funding is addressed.

The 3.2% funding rate increase this year was again woefully insufficient and does not go to meeting the increased costs that the business is having to meet through normal operating activities. Something must change to ensure the sector survives long term and is able to deliver the quality of care expected as we all age. The Australian government recently announced a significant overhaul of their aged-care funding model with a view to ensuring its sustainability over the long term. They are certainly leading the way, and our government should be taking note.

As Anthony highlighted, we are making progress with cost out strategies to improve cash flow and address profit performance. A component of this is the rollout of workforce planning across our care communities.

Most of our workforce is associated with our care operations. Workforce planning is about having the right number and mix of staff on our rosters. The programme to date has mostly been well received by our care teams. We know that right-sized teams are higher-performing and happier, because they are more focused and productive.

We will be tracking the impact of workforce planning on staff engagement as well as resident satisfaction through surveys to be carried out later this year.

The survey of resident satisfaction last year was again excellent, with a Net Promoter Score of +42 recorded by our independent residents and +46 by our residents living in care. Key themes for both audiences were relatively aligned.

Our staff engagement score via the Peakon system moved from 7.5 to 7.7 during the year. At 7.7 we are in the middle distribution for the global healthcare industry. Meaningful work and goal setting continue to rank highest amongst our teams.

We are part way through implementing a three-year People strategy. The focus for this year is on the next set of priority areas that were identified as either impacting significantly on our people experience or being critical foundations for sustainable business success. Our ambition is to establish a culture that makes Arvida the workplace of choice in the sector. Improvement in key metrics such as turnover, retention and engagement all point toward good progress to date.

Progress is also being made with lifting our technology capabilities. It too is part of a programme to invest in critical areas of the business. We are investing in our technology core, focusing on networks, cybersecurity, data and business intelligence.

In terms of our financial position, total assets increased to $4.2 billion at year end, a significant increase from the $340 million at IPO. While gearing increased from 31% last year to be 34% at the end of the year, it is still within our targeted band and remained the lowest of our listed peers.

We recognised strong fair value gains in investment property from a combination of new units delivered, an increase in the value of units, a lift in near term growth rates and reversion of the Parklane flood impairment.

A total of 201 new units were delivered by our development team. This year we will deliver between 140 and 150 new units.

The reduced development programme reflects the reprioritisation of our development programme to preserve funding headroom. This includes phasing our more intensive developments and focusing on villa delivery.

The majority of this year's development programme is at Queenstown Country Club. Last week we opened the new care centre with 32 residents transferring in from the Lake Wakatipu Care Centre and a further 9 care suites sold. A sales campaign is also in market for the apartment wing, which is expected to open later this year.

If you happen to be in Queenstown, it is worth a visit. The village looks stunning. We are now entering the final stages of development of the site with another apartment wing and stage of villas planned.

The outlook for the economy remains weak despite the recent reduction in the OCR. The easing cycle will take some time to work through and will also take some time to impact the volume of sales in the residential housing market. Whilst workforce shortages have moderated, the costs to deliver aged-care services is in excess of the funding rates.

Now well underway with the 2025 financial year, we are firmly focused on delivering to our stated strategy and achieving the goals we have set for the business.

The future delivery of care for an ageing population is a familiar challenge being repeated across communities. We want to be at the forefront of positive change and by doing so provide the best level of care for our residents.

What we have achieved at Arvida over these last ten years is a reflection of the commitment of our people. Their attitude and drive to engage in a positive way has led to much-improved outcomes for our residents and the community.

I'm proud of what we have accomplished to date and look forward to building on our momentum.

*Questions and Answer session and voting to follow.*