FY25 Results Update: Third Age Health Services

Dear Shareholders,

It's been nearly three years since I took on the role of Chairman. In that time, we moved quickly to orient our strategy around a small number of simple ideas and to take them seriously.

That meant focusing on delighting customers, running a lean organisation grounded in Kaizen (aka Lean), and being frugal. It also meant aligning incentives, for example through implementing a profit-sharing plan for key employees and considering both opportunity cost and hurdle rates when allocating capital. All with a view to maximising the average annual rate of increase in intrinsic value per share over time.

That said, not everything has gone smoothly. I've made some mistakes, mostly from saying yes to a few things I should have said no to. In hindsight, those decisions diverted focus, consumed time, and created distractions that didn't serve our goals. While the costs aren't always visible in the financials, they are very real. It's a reminder of the importance of maintaining a high bar, filtering harder, and being highly selective in how we allocate time, attention, and capital.

We are applying these learnings as we refine our approach to future opportunities, with the aim of ensuring that we build not just momentum and sustainability but also protect the culture we are working hard to build. A key part of that is ensuring that any future partners share our values.

Financial Performance

FY25 was another year of solid overall performance. Net profit after tax rose by 79.2% to $2,478k, while underlying NPATA increased by 69.0% to $2,886k, reflecting operating leverage and improved efficiency across the group.

We completed the acquisition of Hub Aged Care in April 2024, extending our footprint in the Lower North Island. This business has performed ahead of expectations and has been successfully integrated. Combined with strong organic growth, this has driven meaningful gains in revenue and operating scale across our ARC business.

Our community general practices also showed encouraging signs of progress. While not all practices are yet operating at full potential, refinements to the operating model, improved leadership, and better systems and processes are beginning to translate into improved profitability. Nevertheless, a meaningful amount of work remains to be done to improve the operational and financial performance of several practices.

Overall, the financial results for FY25 reflect our efforts to run a more efficient organisation capable of creating and compounding customer value sustainably over many years.

Capital Allocation

Our approach to capital allocation is simple. We aim to evaluate each opportunity against the best alternatives available at the time, prioritising those that clear our hurdle rate and where each dollar retained has a reasonable probability of creating at least a dollar of market value over a rolling five-year period, rather than pursuing growth for its own sake.

During the year, we allocated capital to investments in our digital clinical portal and AI trials, which are enhancing the customer experience and improving operational efficiency positioning us to grow market share over time.

We also repaid $790k of high-cost debt primarily related to the Hub Aged Care (HAC) acquisition, reducing our interest burden by around $75k p.a. based on borrowing rates at the time of discharge of the HAC loan. Similarly, our modest on-market share buyback, repurchasing 0.50% of shares, was executed when our stock traded below our assessment of per-share value and in the context of a lower likelihood that higher-return acquisition opportunities would materialise. We also continued to pay a quarterly dividend.

While we continue to work on sourcing acquisitions within primary care, as previously mentioned, we are also casting the net wider and are open to purchasing other businesses provided they share similar commercial characteristics to our ARC business.

Specifically, we are drawn to businesses with recurring and predictable revenue, favourable long-term demand tailwinds, a small but essential role within a larger value chain, a demonstrated ability to generate free cash flow and earn returns on tangible capital in line with our expectations, and potential to serve as a platform for selective consolidation.

Outlook

We continue to see opportunities to improve how we operate and serve our customers. Every part of the business, from our ARC footprint to our general practices, has room to grow, while also becoming more productive and efficient at creating customer value. Our management team, led by Tony Wai, is making considerable efforts to deliver this.

While we are cautiously optimistic that FY26 will build on the progress made in FY25, after several years of strong financial performance, we expect organic growth in both revenue and earnings to be much more modest going forward.

Thank You

I've previously mentioned our intention to work on broadening the shareholder base. I’m pleased to report that these efforts have begun to bear fruit. We’ve welcomed several new shareholders this year who share our focus on building a durable business that creates meaningful value over the coming decades.

I want to thank Tony and the wider team for their continued efforts to improve how we operate and serve our customers. I’m also grateful to our customers and partners for the trust they place in us every day.

Finally, thank you to all our shareholders for entrusting us with your capital. We are grateful for your continued support.

Sincerely,

John Fernandes
Chairman

From the CEO

Dear Shareholders,

FY25 was a year of strong delivery across the business. We expanded our reach, improved operational performance and made meaningful progress on key strategic initiatives that support scalable, high-quality care.

Impact at Scale

In April 2024, we acquired a majority interest in Hub Aged Care, strengthening our presence in the Lower North Island. This was followed by onboarding a new ARC facility in Northland, expanding our footprint as a national provider. These additions have increased our service coverage and brought more consistency to how we operate across regions. As a result, Third Age Health now holds an estimated 17% share of the medical services market for residents in ARC facilities across New Zealand[1].

We also launched our proprietary digital clinical portal, live in 13 facilities at the end of March. The platform streamlines clinical workflows and improves access to real-time information, allowing our clinicians to spend more time with patients and less on administration. Early feedback from users has been encouraging and we continue to invest in further development of the platform to support better outcomes and operational efficiency.

Alongside the portal, we continued to explore technology that enhances care delivery. AI transcription has been introduced in our general practices to reduce clinical documentation load and virtual care solutions have been expanded to improve after-hours and remote access for ARC residents.

We have also created what we anticipate will become the primary care quality standard in aged care, ("Elder Care Standards"), a pivotal achievement in our commitment to excellence.

[1] Based on actual enrolment to 31 March 2025 and our latest estimates of ARC occupancy across New Zealand according to the Te Whatu Ora ARC Funding / Service Assessment report (January 2024).

Building on Commitment

FY25 saw further embedding of the "Third Age Health Way of Working," our Kaizen-based business system. This supported streamlined onboarding of new facilities and clinicians, improved client engagement, and enhanced after-hours service delivery across ARC.

Workforce development continues to be a priority. In March 2025, our Nurse Practitioner Development Programme celebrated its first graduate, an important step in building long-term clinical capacity. We also supported transitions from enrolled nurse to registered nurse roles and created pathways for early-career doctors to join our network.

We were also proud to launch the Navigating Wellness guidebook for older adults in New Zealand. Made available nationally in both digital and print, the guide aims to help older people and their families take a more active role in their health and wellbeing particularly in rural and underserved areas.

Operational Performance

Our ARC business continues to grow steadily, underpinned by strong demand and the consistent delivery of care. Including Hub Aged Care, ARC-related enrolled patients grew to 5,371 and revenue rose 42% to $11.75 million for the year ended 31 March 2025. A range of breakthrough projects, process improvements and digital tooling have helped improve how we deliver care at scale.

In community general practice, we saw positive financial momentum. Despite a 1.3% decline in enrolled patients to 20,350, general practice revenue rose 7% to $7,329k, with a substantial increase in profitability, driven by process improvements and clearer accountability across teams. The decline in the number of enrolled patients is a concern especially given the growing demand for general practice services. We are working to stabilise our enrolled patient base with appropriate urgency, and then grow it, as we continue to bring further capacity improvements and focus on attracting new patients to our clinics.

Sector Outlook

Primary care sector workforce shortages, funding constraints, and increasing administrative demands continue to place pressure on providers across the system. While these challenges are not new, their impact is intensifying, and we do not expect them to ease in the short term.

In aged residential care, delays in admissions, rising patient acuity, and increased turnover among facility staff all present ongoing challenges. However, these dynamics also reflect rising demand for the structured, coordinated primary medical care that our business is built to deliver. In community general practice, pressure on capacity continues to grow, reinforcing the importance of efficient models of care and strong clinical leadership.

We remain focused on adapting to this evolving environment, supporting our people, investing in systems that improve productivity, and maintaining the quality and reliability of care. The fundamentals driving demand for our services remain intact, and we are confident that by continuing to execute well, we can grow sustainably while creating value for our clients, clinicians, and shareholders.

I want to thank our clinicians and operational teams for their continued commitment, and our Board for their ongoing support and guidance. I also want to acknowledge our customers and partners and thank our shareholders for your trust. We remain focused on delivering consistent, high-quality care while building a resilient, scalable, and durable organisation.

Thank you for your continued trust and support.

Sincerely,

Tony Wai
CEO