

Arvida Group Limited (ARV)

Market Release

20 SEPTEMBER 2016

ARVIDA TO ACQUIRE THREE VILLAGES FOR \$66 MILLION

Transaction highlights:

- Acquisition of three high quality, complementary villages located in prime growth areas of Tauranga and Cambridge where Arvida is not currently represented
- Meaningful brownfield development opportunities and ability to introduce care suite offering into all villages
- Immediately accretive to underlying earnings with 6% lift in Proforma FY17 EPS¹
- The acquisition will be partly funded by an underwritten \$42 million rights issue at \$1.05

Arvida Group Limited (NZX:ARV) today announced it had entered into agreements to purchase Bethlehem Views and Copper Crest Village Estate in Tauranga and Lauriston Park in Cambridge for approximately \$66.4 million¹.

Bethlehem Views is a dedicated care facility that includes 17 rest home beds, 20 dementia beds and 51 hospital beds. Overall occupancy at Bethlehem Views has been over 98% for the last 12 months.

Copper Crest and Lauriston Park are retirement facilities with a total of 247 independent villas plus development land for over 200 additional care beds and retirement units. Both villages currently have a waiting list for villas.

The villages being acquired have a combined CBRE valuation of \$68.4 million and increase the number of Arvida villages to 25, comprising a mix of 1,384 care beds and 1,248 retirement units.

“Lauriston Park and Copper Crest offer meaningful brownfield development opportunities including the ability to develop our care offering at these villages over time” said Bill McDonald, CEO of Arvida. “We are excited by the potential in terms of all three properties being ideally suited for roll-out of our care suite strategy.”

Based on Arvida’s estimates of earnings for each of the villages, an additional \$4.4 million of underlying profit^{2,3} is anticipated from the acquisitions on a pro forma FY17 basis.

The acquisitions will be immediately accretive to earnings with underlying earnings per share accretion of approximately 6%⁴ on a pro forma FY17 basis relative to Broker consensus estimates. Further earnings growth is expected beyond FY17 from care suite conversions at Bethlehem Views, continued development

¹ Excluding any adjustments for valuation, development and working capital at settlement date.

² Based on Arvida management expectations for the pro forma 12 month earnings contribution (ie assuming a full 12 months of ownership) from the acquired villages in FY17 that were prepared as part of Arvida’s due diligence, there being no material change to the run rate performance or growth of those businesses during the period, Villages acquired at CBRE’s assessed IRR of 13.75%-15.0%, and excludes costs related to the transaction and equity raising. The acquisitions are expected to be completed on 3 October 2016 subject to receipt of customary approvals.

³ Underlying Profit is a non-GAAP financial measure and differs from NZ IFRS net profit after tax by replacing the fair value adjustment in investment property values with the Board’s estimate of realised components of movements in investment property value and to eliminate deferred tax and one-off items.

⁴ Current shares outstanding of 279m (pre Rights Offer). Assumes \$42m equity capital raising at \$1.05 per share; and \$18.5m of Arvida shares issued to the vendor shareholders.

of villas at Copper Crest and the future development of new care facilities at Copper Crest and Lauriston Park which will include the introduction of care suites.

Arvida Chairman Peter Wilson said “these acquisitions are on strategy and provide us with a presence in two key New Zealand regions experiencing high growth in aged care and retirement living.

The villages are all of a very high quality and represent the best in New Zealand retirement and care facilities. Arvida’s ability to identify and secure high quality villages on value accretive terms with demonstrable growth opportunities is further evidenced through these acquisitions.

We continue to see a range of acquisition prospects and will continue to actively consider opportunities that meet our strict criteria in terms of location, quality of assets and current management, potential for development and earnings accretion”.

The acquisition is to be funded through a combination of new equity and debt:

- \$41.8 million of new equity is to be raised by way a 1-for-7 pro-rata renounceable rights issue (the “Offer”) at an issue price of \$1.05 per share. The Offer has been fully underwritten by Forsyth Barr Group Limited;
- \$18.5 million of shares issued to vendors at their request; and
- \$7.6 million of bank debt from an increased banking facility which provides headroom for further acquisitions and brownfield development activity.

Completion of the acquisitions is anticipated in early October and is conditional upon customary third party approvals.

The rights issue Offer Document is expected to be available on the NZX website under the ticker code “ARV” on 27 September and will be sent to shareholders shortly after that. Applications will be accepted online, or through completion of an acceptance form. The Offer closes on 12 October.

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For more information, please contact:

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About Arvida:

Arvida Group Limited (**Arvida**) is a retirement village group with an emphasis on providing a continuum of care from independent living through to high quality aged care services. Arvida has 22 villages across New Zealand comprising: Aria Bay, Aria Gardens and Aria Park, Auckland; Glenbrae, Bay of Plenty; Molly Ryan, New Plymouth; Lansdowne Park, Masterton; Olive Tree, Palmerston North; Waikanae Lodge, Waikanae; Oakwoods and The Wood, Nelson; Ashwood, Blenheim; Ilam, The Maples, Mayfair, Park Lane, Rhodes on Cashmere, St Albans, St Allisa and Wendover, Christchurch; and Bainlea House, Bainswood House and Bainswood on Victoria, Rangiora. Arvida’s shares trade on the NZX Main Board under the code ARV. See www.arvida.co.nz

