

MEDIA RELEASE

20 APRIL 2020

METLIFECARE – MARKET UPDATE

Metlifecare Limited (NZX: MET, ASX: MEQ) is pleased to provide a further market update on current trading conditions and the Scheme Implementation Agreement (**SIA**) entered with Asia Pacific Village Group Limited (**APVG**) following Metlifecare's announcement on 8 April 2020 that it had received notice of APVG's intention to terminate the SIA. APVG is an entity owned by EQT Infrastructure IV fund and managed by EQT Fund Management S.à.r.l.

Key points

- The Metlifecare Board has received legal advice and reiterates its belief that there is no lawful basis for APVG to terminate the SIA and that the assertions made by APVG are without substance
- Specifically, the Board does not believe the triggers under the "Material Adverse Change" (**MAC**) clause in the SIA have been, or are reasonably likely to be, triggered
- Further, the Board has legal advice that the MAC clause does not apply, for reasons including:
 - Any impact on Metlifecare has been as a direct result of the change in general economic conditions caused by the New Zealand Government's mandated Level 4 lockdown (the **lockdown**) restrictions put in place on 25 March 2020;
 - Restrictions that have affected the operations of Metlifecare constitute a change in law¹; and
 - Any impact has not had a disproportionate effect on Metlifecare.
- The Board is in the process of appointing a QC to assist Metlifecare
- Metlifecare remains strongly committed to the successful completion of the SIA in the interests of all shareholders and remains on track to dispatch the scheme materials in late April.

Current trading

Metlifecare is currently operating under the New Zealand Government's stringent Level 4 lockdown restrictions. These restrictions came into effect at 11.59pm on Wednesday 25 March 2020. At the time of this market update, the lockdown is to remain in place until 11.59pm on Tuesday 22 April 2020, with the NZ Government later today expected to announce the timing of a move to the recently announced Level 3 lockdown restrictions.

As an operator of retirement villages and aged care homes, Metlifecare, like its sector peers, is an "essential services" provider, which means it is able to continue operating its villages and care homes across the North Island providing core services to residents. Metlifecare notes that current village and care home occupancy levels are both at 97 per cent.

Metlifecare is continuing to talk with prospective residents, however, under the lockdown Metlifecare, like its sector peers, is restricted from showing prospective residents around its villages. As noted in previous releases, several Occupation Right Agreement settlements were brought forward at the request of incoming residents to allow them to move into their new homes ahead of the lockdown

being enacted. As expected, as a result of the current government-mandated restrictions, settlements are temporarily delayed.

In line with New Zealand Government's lockdown requirements, Metlifecare and its development partners have also temporarily paused all development activity.

Metlifecare reaffirms that it has the lowest gearing and leverage levels among the NZX50-listed retirement sector with significant debt headroom. As such, Metlifecare is in a strong financial position and does not intend to raise equity capital.

Scheme Update

The Board of Metlifecare is preparing a response to APVG's intention to terminate the SIA, to be provided to APVG and EQT later this week. The Board has taken legal advice and believes there is no lawful basis on which APVG can terminate the SIA, and further considers the assertions made by APVG are without substance.

As such, the Board remains focused on acting in the best interests of the Company, taking into account the interest of all shareholders and stakeholders. The Board is strongly committed to seeing the SIA continue through to completion. The Board expects APVG to honour its obligations under the SIA, which it willingly entered into. Metlifecare remains on track to send the scheme materials to shareholders in late April, for a meeting to be held in May 2020, subject to New Zealand Government lockdown restrictions and requirements under the SIA.

Among other matters, the Board of Metlifecare notes the following:

- Since 29 December 2019, it has kept under review the performance and standing of the business against the triggers in the "Material Adverse Change" (**MAC**) clause, as defined on page 55 of the SIA. As at the date of this market update, Metlifecare does not consider the consolidated net tangible asset (**NTA**) or the consolidated underlying net profit metrics have been triggered or are reasonably likely to be triggered for FY20 or future periods if the New Zealand Government's lockdown restrictions had not been in place. Metlifecare notes that under its continuous disclosure obligations, if a breach of these triggers had occurred, or is reasonably likely to occur, Metlifecare would need to update the market accordingly.
- Based on recent scenario analysis, Metlifecare's current consolidated underlying profit projection for FY20 is \$83 million to \$90 million. Metlifecare's consolidated NTA at 31 December 2019 was \$1.49 billion. Metlifecare's NTA will next be reassessed as part of its 30 June 2020 annual result in August-September, taking account of any updates to the external valuations and retained earnings generated since 1 January 2020. The external valuations are based on forecast village cash flows over a long-term, 20-year period that mitigate the impact of short-term unit price movements. Metlifecare provided valuation sensitivity analysis in its 2019 annual report, available at www.metlifecare.co.nz/investor-centre.
- However, regardless of whether the MAC metrics are triggered, the Board of Metlifecare considers that the MAC clause does not apply for reasons including:
 - The impact has clearly been as a direct result of 'changes in general economic conditions' occurring due to the lockdown restrictions put in place by the New Zealand Government, including the likely recession in New Zealand;

- Government-mandated restrictions placed on the operations of Metlifecare and other businesses, including forced closures of operations and restrictions of movement, constitute 'changes in ... law'; and
- The impacts have not had a 'materially disproportionate effect' on Metlifecare, compared to sector peers and the general economy, based on analysis of NZX50-listed peer performance, shareholder returns, balance sheet strength and recent research analysts' earnings revisions. Rather on an objective assessment Metlifecare has performed well, including because it is an essential business and has placed the interests of its residents as a paramount operational consideration.

APVG Assertions

Metlifecare has, at all times, provided the information where reasonably requested by APVG under the SIA. Information also continues to be provided in response to reasonable requests as required under the SIA.

While some changes have occurred to the Metlifecare business recently, these have been as a result of directives from the New Zealand Government as a result of the lockdown restrictions either on Metlifecare itself or its suppliers and partners, or in the ordinary course of business. Metlifecare has sought in good faith feedback from APVG on its response to the lockdown restrictions. No decisions in relation to its response to the lockdown restrictions are considered material to Metlifecare and its subsidiaries taken as a whole.

Metlifecare Chair Kim Ellis said: "The Board of Metlifecare remains fully committed to seeing the SIA continue through to completion on behalf of all shareholders. Based on our advice, we can see no legal or other impediment to APVG and EQT honouring the SIA APVG entered into with Metlifecare in December 2019. However, in the interests of prudence, we are in the process of appointing a QC to assist us as we continue to implement the SIA."

Metlifecare shareholders do not need to take any action at this time.

This announcement is authorised for release to the market by the Board of Metlifecare Limited.

Ends

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About Metlifecare

Metlifecare is a leading New Zealand owner and operator of retirement villages, providing rewarding lifestyles and outstanding care to more than 5,600 New Zealanders. Established in 1984, it currently owns and operates a portfolio of 25 villages in areas with strong local economies, supportive demographics and high median house prices, located predominantly in New Zealand's upper North Island.

ⁱ The changes in law include the COVID-19 Response (Urgent Management Measures) Legislation Act 2020, the Epidemic Preparedness (COVID-19) Notice 2020, the Epidemic Preparedness (Epidemic Management-COVID-19) Notice 2020, the section 70(1)(m) Health Act Order made on 25 March 2020 and the section 70(1)(f) Health Act Order made on 3 April 2020.