MEDIA RELEASE
26 July 2018

Oceania Healthcare exceeds forecast with strong earnings boost and signals higher future build rate

Highlights

- Reported net profit after tax and underlying net profit after tax both above IPO forecasts reflecting new developments delivered in Auckland.
- Reported net profit after tax increased by $32.1m (71.5%) compared with the prior corresponding period (pcp) to $77.0m due to uplift in valuation of investment properties driven by higher resale margins and sale of new retirement village units.
- Underlying EBITDA improved by $22.4m (54.0%) compared with pcp to $63.7m.
- Operating cashflow improved from $38.9m to $82.2m (111.3%) due to the increase in profit and reduction in interest paid compared with pcp.
- Total assets increased by $229.0m from pcp to $1.15bn due to significant development capital expenditure, greenfields acquisitions and revaluations.
- All units and beds in the 2018 IPO forecast delivered on time and on budget. A further 451 beds and units currently under construction across five sites.
- Future annual build rate lifted to 250 beds and units to 2021 (from 200 indicated at the time of the IPO), increasing to 300+ from 2022 onwards.
- New bank facilities in place to fund land acquisitions and increased build rate.
- Final dividend per share announced of 2.6 cents per share (not imputed) payable on 20 August 2018 (record date 13 August 2018).

$m's	Year to 31 May		Growth	
	2018	2017	$m	%
Operating Revenue	184.0	174.8	9.2	5.3
Reported NPAT	77.0	44.9	32.1	71.5
Underlying NPAT*	52.1	34.0	18.1	53.1
Underlying EBITDA	63.7	41.3	22.4	54.0
Total Assets	1,147.2	918.2	229.0	24.9
Operating Cashflow	82.2	38.9	43.3	111.3

** 2017 includes pro forma adjustments*

Earl Gasparich, Chief Executive Officer, commented:

We exceeded our financial forecasts set out in our IPO over 12 months ago. We have increased underlying net profit after tax by 53.0% over the year ended 31 May 2018 and our reported net profit after tax of $77.0m was ahead of the $44.9m IPO Forecast due to a significant increase in the valuation of Oceania's care and retirement village assets. Total assets increased by $229.0m to $1.15bn following an increase in development capital expenditure and acquisition of new sites.

Underlying earnings before interest, income tax, depreciation, and amortisation (EBITDA) of $63.7m was ahead of the IPO Forecast and 54.0% ahead of last year.

We have delivered on our forecast build rate having completed Meadowbank Stage 3 and the Elmwood villas in Auckland, as well as the Stoke villa development in Nelson, over the year (131 beds and units). We currently have a further 451 beds and units under construction across five sites in four metropolitan locations and expect to deliver 272 of these within the next financial year, which is a significant step up from the forecast provided in the IPO. Our design and premium quality of construction is also gaining increasing recognition. We have lifted our forecast future build rate from 200 bed and units indicated at the time of the IPO to 250 per annum over the next three years to 31 May 2021, increasing further to 300+ from 2022 onwards. We have new bank facilities in place to fund this increased build rate based upon current projections. With a pipeline of over 2,100 units and beds across the country, we have approximately seven years of development ahead of us, and 61% of this pipeline is already consented.

We have acquired a substantial amount of new land adjacent to existing Auckland sites over the year, with neighbouring properties at Waimarie Street in St Heliers, Eden in Mt Eden, Elmwood in The Gardens and Lady Allum in Milford all purchased in the period. These acquisitions enable us to expand the redevelopment of these key locations, achieve economies of scale and enhance the offering to our future residents.

We have also recently obtained resource consents for the expansion of Lady Allum Village and Gracelands in Hastings.

We have a clear growth strategy in our aged care business as we redevelop our premium locations with new care suites and also convert part of our existing portfolio into this superior room product, which is in high demand throughout the country and differentiates us from other providers. We have also entered into an agreement with Heritage Lifecare Limited for the divestment of five sites that do not fit with our future plans.

On behalf of the Board, Oceania Healthcare Chair Liz Coutts confirmed that a final dividend of 2.6 cents per share (not imputed) would be paid to shareholders with a record date of 13 August and payment on 20 August 2018. This takes the full year dividends to 4.7 cents per share (not imputed) and represents a dividend payout ratio of 55% of underlying net profit after tax.

ENDS

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Oceania Healthcare Limited is New Zealand's third largest residential aged care provider and sixth largest retirement village operator. Oceania Healthcare has a total of 3,982 beds, suites and units located at 51 sites in the North and South Islands.

This release should be read in conjunction with the Financial Statements contained within the Annual Report.