MEDIA RELEASE

25 February 2019

STRONG SALES DELIVER IMPROVED OPERATING RESULTS, GROWTH ON TRACK

Metlifecare Limited performance highlights for the six months to 31 December 2018:

- **Reported net profit after tax $24.5 million**
- **Underlying profit before tax[1] $41.7 million**
- **Underlying operating cash flow[2] $20.0 million**
- **Fair value movement in investment properties $29.6 million**
- **Total assets $3.4 billion**
- **High village occupancy (97%) and care occupancy (95%)**
- **Realised development margin[3] 23%**
- **Development programme on track – 215 units to be delivered**
- **Net assets per share $6.97**
- **Interim dividend 3.75 cents per share**

Metlifecare today reported a strong financial result for the six months to 31 December 2018, highlighted by a record first half underlying profit. Higher development sales volumes and realised margins drove a 15%[4] increase in underlying profit before tax to $41.7 million, reflecting ongoing strength in demand and selling prices for the company's villages. Underlying operating cash flow increased by 10% to $20 million for the period.

Chief Executive Glen Sowry said the company had continued to focus on improving its operating performance and investing for the future. "This is a quality result. While the housing market overall has been moderating as we expected, our resale prices were seven percent higher than the same period last year and we've been consistently outperforming the markets in which we operate. Our development programme is well on track, and our continued investment in the quality of our villages and resident experience has ensured high occupancy rates of 97% for our villages and 95% for our care homes."

While the fair value of Metlifecare's investment properties grew by $29.6 million during the period, this growth rate has eased relative to previous years with moderating housing market price growth. The value of the company's total assets at balance date was $3.4 billion, 11% higher than last year, and net assets per share were $6.97, 5% higher than last year. Reported net profit after tax was $24.5 million, lower than last year largely due to the difference in fair value growth.

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[1] Underlying profit before tax removes the impact of unrealised fair value movements on investment properties, impairment of property, plant & equipment and excludes one-off gains & losses and taxation and is reconciled to reported profit in the performance summary attached to this announcement. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. Refer note 2.3 of the Financial Statements for additional detail. Underlying profit is provided as an industry-wide measure to assist readers.

[2] Underlying operating cash flow is a non-GAAP measure and removes the cash flows derived from the first-time sale of occupation right agreements from statutory operating activities and cash outflows associated with homes bought back by the company to enable remediation and regeneration activities. Refer page 20 of results presentation for more detail.

[3] Refer note 2.3 of the Financial Statements for additional detail.

[4] All percentage changes are in relation to the prior comparable period (1H18) unless otherwise stated.

Mr Sowry said Metlifecare's balance sheet continued to be one of its key strengths. "At 15%, our gearing remains low and provides ample headroom to fund ongoing targeted growth. We will continue to generate strong realised resales gains and cash flows, even in a more moderate market, due to the high embedded values in our portfolio."

Metlifecare completed a review of its funding structure for the next phase of its development in December 2018, resulting in the company's debt facility being increased to $450 million. Metlifecare is also exploring a potential retail bond issue designed to replace a portion of its bank debt to provide diversity of funding and tenor, subject to market conditions.

Dividend

The Board has declared an interim dividend of 3.75 cents per share, 15% higher than last year. The dividend is unimputed and will be paid on 22 March 2019, with a record date of 15 March 2019.

Villages

Metlifecare settled 170 resales of occupation right agreements during the period, up 13% on last year, with a further 78 homes under contract at balance date. The average selling price per home rose 7% to $572,000, driving a 21% lift in realised resales gains to $32.1 million.

"The strong resales performance reflects the ongoing demand for our villages," said Mr Sowry. "Targeted investment in village amenities, communal spaces and programmes such as our "Your Best You" wellbeing programme, are not only being welcomed by our residents, they are also adding to the competitiveness of our villages. Applications for the first half were 16% higher than the same period last year."

Metlifecare's village remediation and regeneration programme, in which several villages are being modernised and future-proofed, remains on track for completion by mid-2023. Mr Sowry said the investment, which includes a significant betterment component, would total around $61 million (of which $15m has already been spent) and is reflected in Metlifecare's CBRE valuation. This investment represents 4% of Metlifecare's net assets or 29 cents per share.

"The additional value being created through this programme is already evident, in both the value of the assets and the increased marketability of the villages," he said. "Our village managers and staff have also worked hard to minimise disruption to residents, ensuring all villages remain fully functional and residents can remain living within their own village while the work is under way."

New village development

Mr Sowry said sales of new homes completed late in 1H19 were pleasing, with 56 new occupation right agreements settled during the period, up 70% on last year, and with an additional 50 homes under contract at balance date. The average selling price per home increased by 11% to $723,000, generating an average development margin of 23%. The total realised development margin was $9.3 million, 50% higher than last year.

Metlifecare's development programme is on track to deliver 215 new homes and care beds for the current financial year. While the programme is heavily weighted to the second half of the year, the first half saw the completion of Pinesong Village's new care home, where 20 care suites and care apartments now provide hospital and rest home level care. The remainder of the financial year's construction programme includes two new 24-apartment buildings at Greenwich Gardens; new villas at Papamoa Beach and Crestwood villages; new homestead-style care homes at Papamoa Beach Village and The Avenues; and 55 villas and apartments at Metlifecare's new Gulf Rise village at Red Beach, on Auckland's Hibiscus Coast.

"We are looking forward to welcoming our first residents to Gulf Rise later in 2019," said Mr Sowry. "Gulf Rise is our first 'next-generation' village, showcasing a new approach to retirement living where village facilities connect with the local community and integrate our residents within their neighbourhood. This approach will also apply to our new villages at Orion Point and Beachlands, where earthworks are already under way."

"Another milestone for us this year will be Metlifecare's first dementia care centre at Papamoa Beach Village, featuring our existing award-winning homestead design which enables our residents to have greater choice about how they live day-to-day."

The purchase of additional land from the Pakuranga Golf Club in October 2018 further enhanced Metlifecare's development land bank, increasing the total area for the future Botany village by more than 40% and providing greater golf course frontage and views for the village. Mr Sowry said the highly desirable and tranquil site in the heart of East Auckland will now deliver around 200 independent living villas and apartments, and a 40-bed homestead-style care home, including a dedicated dementia unit.

Expansion of Care

Metlifecare's care offering will expand further in June 2019 with the completion of new care homes at Papamoa and Tauranga. "Our care offering is going from strength to strength", said Mr Sowry. "Our care homes now have a three or four-year Ministry of Health certification, with around two thirds having the gold-standard four-year certification.[1] Total occupancy was 95% across all care homes, and premium care revenue has more than doubled against last year; all of which reflect the high quality of care and living environments we provide."

Metlifecare's innovative new homestead-style care home design was also recognised as best in class at the New Zealand Aged Care Association Awards in September when it received the Jackson Van Interiors Built and Grown Environment award for its care home at Greenwich Gardens.

"Our resident-directed approach to care ensures our most vulnerable residents are empowered to live the way they want, in a home-like, non-institutional environment, and their families love it," said Mr Sowry. "Existing and prospective village residents appreciate the flexibility of choice we offer with different care homes across our network, providing options if the need for care arises."

Summary and outlook

Chair Kim Ellis said the Metlifecare Board was pleased with the performance in the half year. "We are continuing to achieve high levels of occupancy, demand and strong price growth, demonstrating the competitiveness of Metlifecare's offering in a moderating market," he said. "Our investment in care, resident programmes and the betterment of our housing and amenities is reflected in the improved quality of our villages and the delight of our residents."

"Our growth strategy is progressing well, with planning underway for the next phase of development in FY20. This growth continues to be supported by our strong balance sheet, with low gearing and attractive options in front of us to ensure an optimal funding structure. Our development programme retains flexibility to ensure delivery can match changing market conditions."

Mr Ellis said that in keeping with the trend of previous years, the company expected to deliver a solid second half performance. Sales volumes for existing and new homes were expected to be slightly weighted to the second half reflecting the seasonality of the current market.

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 5,500 New Zealanders. Established in 1984, it currently owns and operates a portfolio of 24 villages in areas with strong local economies, excellent growth rates and high median house prices, located predominantly in New Zealand's upper North Island.

[1] *Excludes newly-opened care home at Pinesong village.*

Metlifecare

Metlifecare's growth strategy seeks to capture the opportunities presented by New Zealand's rapidly increasing older population, through the targeted development of new villages and the regeneration of existing villages in areas that are supported by a strong demographic and economic profile. In addition to its existing villages, the company currently has a land bank of five prime greenfield sites in high growth areas, which will support its ambitions to deliver 300+ new units and beds per year from 2020.

Metlifecare is listed on the NZX and ASX (NZX: MET/ASX: MEQ).

Metlifecare - Performance Summary	1H19 Unaudited	1H18 Unaudited	% Movement
($m except as noted)			
Net Profit After Tax	**24.5**	**56.3**	-56.6%
Adjusted Net Profit	18.0	56.3	-68.1%
Fair value movement	(29.6)	(59.8)	-50.5%
Impairment of care homes	8.0	0.2	3721.1%
Realised gain on resales	32.1	26.5	21.4%
Realised development margin	9.3	6.2	49.7%
Tax expense	3.9	6.7	-41.8%
Underlying Profit Before Tax	**41.7**	**36.2**	15.2%
Operating revenue	61.9	56.5	9.7%
Operating expenses excluding finance costs	(68.0)	(53.9)	26.1%
Operating cash flow	47.4	27.3	73.4%
Operating cash Flow excluding development sales and buy back costs	20.0	18.2	9.9%
Development sales	37.4	20.3	84.4%
Existing unit sales	101.0	80.7	25.1%
Total ORA sales	138.3	101.0	37.0%
Totals assets	3,416.1	3,086.4	10.7%
Total value of investment properties	3,320.1	3,007.3	10.4%
Total equity	1,486.4	1,414.3	5.1%
Earnings per share (cps)	11.5	26.5	-56.7%
Interim dividend per share (cps)	3.75	3.25	15.4%
Development sales settlements (number)	56	33	69.7%
Resales settlements (number)	170	150	13.3%
Total volume (number)	226	183	23.5%
Retirement village units (number)	4,375	4,232	3.4%
Residential care beds (number)	370	371	-0.3%
Total units & beds (number)	4,745	4,603	3.1%
Net assets per share ($)	6.97	6.64	5.0%
Embedded value per unit ($'000)	279	277	0.7%
New units & beds delivered	9	25	-64.0%
Land Bank			
Retirement village units (number)	1,486	1,443	3.0%
Residential care beds (number)	342	318	7.5%
Total land bank (number)	1,828	1,761	3.8%
Shares on issue ('000)	213,305	213,132	