MEDIA RELEASE
26 AUGUST 2020

STRONG OPERATING PERFORMANCE IN UNPRECEDENTED YEAR

Metlifecare Limited (NZX: MET, ASX: MEQ) performance summary for the year to 30 June 2020:

- **Reported net loss after tax $33.7 million**
- **Underlying profit before tax[1] $93.8 million (down 0.4%)**
- **Operating cash flow $123.1 million**
- **Net assets per share $7.18 (down 3%)[2]**
- **Total assets $3.6 billion**
- **Significant investment in keeping residents and employees safe during COVID-19**
- **Investment in construction and portfolio improvements $122.3 million**
- **Delivery of 81 new homes and beds, 220 under construction**

Retirement village and aged care operator Metlifecare Limited today reported a solid operating performance for the year to 30 June 2020, a period which included the full effects of the government-mandated lockdown.

Chief Executive Glen Sowry said despite the significant challenges and costs involved in successfully keeping residents and employees safe from COVID-19, the company delivered an underlying profit before tax of $93.8 million, slightly below last year's strong performance.

"This is an excellent achievement in a tough period. After an encouraging first half we experienced a temporary, but major, sales decline in April and May 2020 due to the Government-mandated lockdown restrictions. While our whole team did an incredible job of keeping our villages safe, we invested heavily in additional staff, training, security and personal protective equipment.

"We were pleased to see sales momentum return in late May and continue into the first part of the new financial year. Despite the challenges imposed on us by the lockdown, we managed our costs well and maintained good margins."

Changes in valuation assumptions following the Government-mandated lockdown resulted in a $74.8 million reduction in the fair value of investment property for the year, compared to last year's gain of $53.9 million. The impact of this movement was partly offset by a reversal in the deferred tax liability of $26.9 million. The company posted a reported net loss for the year of $33.7 million.

Total assets at balance date were unchanged at $3.6 billion and net assets per share were $7.18 per share. Net assets per share, underlying profit and several other metrics have been adjusted as a result of different factors that are set out in full in the Financial Statements & Notes and the company's presentation, both released simultaneously with this announcement.

---

[1] Underlying profit before tax removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment and excludes one-off gains and 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. Underlying profit is provided as an industry-wide measure to assist readers.

[2] The comparative figure for the year ended 30 June 2019 has been restated to reflect changes in deferred tax. As a consequence, net assets per share increased from $6.96 (previously reported) to $7.41 (restated) as at 30 June 2019. Refer to note 1.5 in the Group financial statements for further details.

Operating performance

Operating revenue increased by 8% to $134.0 million, driven mainly by care growth (including the opening of two new care homes) and higher deferred management fees. However, these gains were offset by lower development margins and resales gains, largely as the result of reduced sales volumes due to Government-mandated lockdown disruptions. Sales prices remained firm overall, with resales prices slightly higher than last year and strong growth in development sales prices.

Net operating cash flows increased 3% to $123.1 million, enabling the company to continue recycling cash into its development projects and property improvements.

Villages and COVID-19

Mr Sowry said he is extremely proud of the way Metlifecare's staff and residents have risen to the challenges presented by the pandemic. "We put the safety and pastoral care of residents and staff at the centre of all decision-making."

"We have also mobilised services and support at a scale and speed we couldn't have imagined prior to the lockdown. We have helped residents do new things such as going online to order groceries or to connect with loved ones. For many of them, it has opened up a whole new world."

"The feedback received from residents and their families has been overwhelmingly positive, and it has been satisfying to see the strong post-lockdown interest in Metlifecare's villages. This shows that people are recognising the benefits of having good care and support in challenging times."

Mr Sowry said demand for Metlifecare's new care homes, opened during the year at The Avenues in Tauranga and Papamoa Beach Village, had been excellent. "The Avenues and Papamoa Beach Village, which includes our new Toi Toi dementia community, both have occupancy percentages in the mid-nineties."

Village development

Over the 12-month period Metlifecare invested over $120 million in new and existing village developments, with 81 new homes completed in three villages and the opening of two new care homes at existing Bay of Plenty villages.

Mr Sowry said that, as with other property developers, the government-mandated lockdown stopped construction activity over Alert Levels 4 and 3. This set back construction delivery timeframes by almost two months, with around 140 homes currently scheduled for completion towards the end of FY21 now expected to be delivered early in FY22. The company currently has 220 units and beds under construction.

"Notwithstanding this, our development programme is in good shape and we were back at full momentum in early June. We have significantly strengthened our in-house capability to develop and profitably deliver multiple large-scale projects over the past year, including the appointment of our new General Manager Development Matt Wickham."

Mr Sowry said the interest being shown in Metlifecare's new developments – Pohutukawa Landing (Beachlands), Fairway Gardens (Botany), Orion Point (Hobsonville) and Gulf Rise (Red Beach) is very encouraging. "These are all great locations, with our new villages designed to reflect the unique attributes of their local communities. The high levels of sales enquiry show they are clearly capturing the attention of locals as well as those further afield."

Capital management

Mr Sowry said Metlifecare's balance sheet remained strong, with its $100 million retail bond issue having increased the diversity of its funding sources and tenor. The company's gearing (loan to valuation ratio) remained low at 17% at balance date, providing ample capacity to fund future growth as well as providing a solid buffer in the event of an economic downturn.

Dividend

The Board has declared that no dividend will be paid for the period, in accordance with the terms of the Scheme Implementation Agreement (SIA) entered into by Metlifecare with Asia Pacific Village Group Limited (owned by EQT Infrastructure IV fund) on 10 July 2020.

Scheme Implementation Agreement

As announced on 10 July, Metlifecare has entered into a new Scheme Implementation Agreement (SIA) with Asia Pacific Village Group Limited to acquire 100% of Metlifecare's shares for $6.00 per share. The scheme is scheduled to be put to a shareholder vote at a special meeting on 2 October 2020. Should shareholders elect to accept the scheme, it is scheduled to be implemented in late October/early November 2020, provided all other conditions under the SIA are satisfied.

A scheme booklet will be sent to shareholders before the meeting and will include a copy of a new Independent Advisor's Report prepared by Calibre Partners (formerly KordaMentha).

Summary and outlook

Chair Kim Ellis said that for Metlifecare, this had been a year like no other.

"COVID-19 has tested the strength and resilience of our business, and we came through with flying colours. Our people-centred approach and committed capable staff have been key to keeping everyone safe in the most challenging times.

"The impacts of the pandemic have been significant, however we have also learned about what's possible, and how quickly we can respond to the unexpected. We are determined to embed these learnings and have initiated a transformation programme to drive greater agility, efficiency and digital enablement across the business.

Mr Ellis said that while the economic outlook was somewhat uncertain, Metlifecare was well positioned to withstand future Covid-related challenges and market volatility.

"Our skilled, dedicated staff will ensure residents remain safe, supported and comfortable. Ongoing demand at all our villages demonstrates the strength of our offering and will continue to generate high resales gains and cash flows. Our growth aspirations are supported by a strong balance sheet and our development programme has been significantly strengthened to ensure we will consistently and profitably deliver the exceptional homes and villages our customers expect", said Mr Ellis.

ENDS

For further information please contact:

Glen Sowry
Chief Executive Officer
Phone: 09 539 8033
Mobile: 021 472 051

Richard Thomson
Chief Financial Officer
Phone: 09 539 8028
Mobile: 021 717 364

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 25 villages in areas with supportive demographics, located predominantly in New Zealand's upper North Island.

Metlifecare's growth strategy is based on servicing 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 prime greenfield sites in high growth areas, which will support its future expansion ambitions. Metlifecare is listed on the NZX and ASX (NZX: MET/ASX: MEQ).

Metlifecare - Performance Summary	FY20 Audited	FY19 Audited	% Movement
($m except as noted)			
(Loss)/Profit After Tax	**(33.7)**	**51.2**	-165.7%
(Loss)/ Profit After Tax	(33.7)	51.2	-165.7%
Non-recurring items	5.5	(6.5)	100.0%
Change in fair value of investment properties	74.8	(53.9)	-238.9%
(Reversal of impairment)/Impairment of care homes	(1.7)	16.3	-110.5%
Change in fair value of residents' share of capital gains	3.6	3.6	-2.5%
Realised gain on resales	60.5	71.5	-15.3%
Realised development margin	11.7	16.9	-30.9%
Tax (Benefit)/Expense	(26.9)	(5.1)	432.1%
Underlying Profit Before Tax	**93.8**	**94.1**	-0.4%
Operating revenue excluding finance income	134.0	124.3	7.8%
Operating expenses excluding finance costs and impairment	(118.8)	(120.7)	-1.6%
Operating cash flow	123.1	119.9	2.7%
Operating cash flow excluding development sales, net finance costs, one-off expenses and net buy back costs	56.2	55.9	0.5%
Development sales	78.1	74.4	4.9%
Existing unit sales	188.8	207.6	-9.1%
Total ORA sales	266.9	282.0	-5.4%
Total assets	3,571.0	3,515.7	1.6%
Total value of investment properties	3,471.7	3,423.6	1.4%
Total equity	1,533.2	1,582.1	-3.1%
Basic earnings per share (cps)	(15.8)	24.1	-165.7%
Interim dividend per share (cps)	0.00	3.75	-100.0%
Final dividend per share (cps)	0.00	7.25	-100.0%
Total dividend per share (cps)	0.00	11.00	-100.0%
Development sales settlements (number)	97	116	-16.4%
Resales settlements (number)	323	354	-8.8%
Total volume (number)	420	470	-10.6%
Retirement village units (number)	4,558	4,478	1.8%
Residential care beds (number)	440	440	0.0%
Total units and beds (number)	4,998	4,918	1.6%
Net assets per share ($)	7.18	7.41	-3.1%
Embedded value per unit ($'000)	279	281	-0.7%
New units and beds delivered	81	182	-55.5%
Land Bank			
Retirement village units (number)	1,374	1,104	24.5%
Residential care beds (number)	311	223	39.5%
Total land bank (number)	1,685	1,327	27.0%
Shares on issue ('000)	213,305	213,305	