MEDIA RELEASE
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Oceania Healthcare grows profit for the six months ended 30 November 2018

Highlights

- Underlying net profit after tax of $20.9m representing a 5.3% increase over the prior corresponding period. Continuing business operations increased underlying net profit after tax by 8.7% over this same period.
- Total comprehensive income attributable to shareholders of $19.5m delivered during the period, driven by the completion of new care developments, revaluations and conversions of care suites.
- Operating cashflow improved from $17.1m to $47.1m (175.9%) with $43.5m of sales proceeds from our developments completed earlier in 2018, an increase of 287.8%.
- Total assets increased by $209.7m over the prior corresponding period to $1.2bn due to significant development capital expenditure, acquisition of land adjoining existing sites and revaluations.
- First stage of The BayView (Tauranga) delivered on time and on budget. Premium aged care facility comprising 81 Care Suites with 60 rooms already occupied by residents transferring from old facility, opening the way for Stage 2 (74 independent living units and new community centre) which commenced in December 2018.
- All apartments at Meadowbank Stage 3 now sold or under application.
- Development programme across other key sites continuing to accelerate with 587 units and care suites now under construction across nine projects.
- Strong increase in aged care occupancy levels across the Group; 92.0% occupancy recorded as at 30 November 2018 at care homes that are not impacted by our redevelopment activity (up from 89.9% in prior corresponding period).
- Winner of Excellence in Food and Innovative Service Delivery categories at New Zealand Aged Care Association annual awards.
- Significant increase in pay for Registered Nurses to reflect DHB settlement and retain key staff.
- Interim dividend per share announced of 2.1 cents per share (not imputed) payable on 18 February 2019.

$'m			Growth	
	Nov 2018 $m	Nov 2017* $m	$m	%
Operating Revenue	96.4	92.1	4.3	4.7%
Underlying NPAT	20.9	19.9	1.0	5.3%
Underlying NPAT – continuing operations*	20.5	18.8	1.7	8.7%
Total Comprehensive Income	19.5	42.9	(23.4)	(54.5)%
Reported NPAT	1.3	42.5	(41.3)	(97.1)%
Total Assets	1,208.8	999.1	209.7	21.0%
Operating Cashflow	47.1	17.1	30.0	175.9%

**Underlying NPAT – continuing operations contains a proforma adjustment that excludes divested site earnings in both 1HY2019 and 1HY2018. Sites were divested in 1HY2019.*

Earl Gasparich, Chief Executive Officer, commented:

We have delivered a strong result for the first half of the year with 8.7% growth achieved across our continuing business operations reflecting increases in deferred management fees from our Village business and realised development gains from sites completed earlier in the year.

In accordance with our strategy for our aged care business, we converted a number of care rooms into premium care suites over the period. These conversions, as well as the completion of the new care suite facility at The BayView (Tauranga) and increase in revaluations of our existing care suites, sites, increased total comprehensive income attributable to shareholders to $19.5m during the period. Due to the classification of our care facilities in the financial statements as property, plant and equipment rather than investment property, these increases in valuation are not recorded in our statutory reported profit.

Underlying net profit after tax attributable to our Retirement Village business increased by $5.4m or 32.9% in the period due to the sale of new units completed earlier in the year, as well as the continuation of strong resale margins for existing independent living units (30.3%). Sales at our Meadowbank Village have been particularly strong, with all 62 apartments in Stage 3 now either sold or under application, less than a year since this stage was completed.

We have focused heavily on generating higher revenues in our Care business through occupancy and premium room charges given the increase in operating costs particularly staff costs associated with the equal pay settlement and registered Nurse pay rates. Occupancy across our non-development sites has increased materially over the six-month period and across all sites is now 92.0%. This has been driven by site refurbishments including conversion of standard beds to Care Suites and our new operational management structure put in place earlier this year. We are continually enhancing our service delivery and once again achieved recognition for our industry-leading care offering by winning both the Excellence in Food and Innovative Service Delivery categories at New Zealand Aged Care Association annual awards.

Operating cashflow was particularly strong over the period, increasing from $17.1m to $47.1m (175.9%) with sales proceeds from our developments completed earlier in 2018 contributing $43.5m, which represents an increase of 287.7% compared to the prior corresponding period. Our total assets are now $1.2bn given that significant development capital expenditure, as well as the acquisition of land adjoining existing sites and revaluations.

While our developments are funded from our bank facilities that we increased and extended earlier in the year to July 2023, our net debt of $197.3m as at 30 November 2018 represents a prudent gearing level of 26.7% (net debt to net debt plus equity).

We continue to deliver all of the development projects in our pipeline on time and on budget, an excellent achievement in the current construction market. This is testimony to our highly skilled and experienced internal project management team and the quality of our designs. As well as completing Stage 1 of The BayView in Tauranga (81 Care Suites) in October this year, we are well on track to complete The Sands (Browns Bay, Auckland) and Meadowbank Stage 4 (Auckland) by the end of the current financial year, followed shortly thereafter by Stage 1 of Trevellyn (Hamilton) comprising 90 Care Suites. With Green Gables (Nelson) progressing well and on track to be completed in the 2020 financial year, Stage 2 of The BayView (74 apartments and new community centre) now commenced and Windermere (71 Care Suites, 22 apartments, and new community centre) also underway in January 2019, we have 587 units and beds under construction throughout the country.

We have also recently obtained new resource consents for the development of a new 142 care suite home at Elmwood Village (The Gardens, Auckland), and the expansion of Eversley (Hastings) and Eden Villages (Auckland). Of the 2,065 beds and units in our total development pipeline, 73.4% already has resource consents in place, considerably reducing the risk associated with delivery of this new product over the next six years.

In the second half of the year we will complete The Sands and Meadowbank Stage 4 developments, continue the conversion of standard rooms to Care Suites and drive higher occupancy levels across our Care portfolio. We have already received presale applications for 13 apartments at The Sands with strong pricing that reflects the high quality of the product. We will also continue to roll out our new Clinical Information System after a successful pilot in Auckland and of course rollout our new, higher care service delivery standards across all premium facilities.

On behalf of the Board, Oceania Chair Liz Coutts confirmed that an interim dividend of 2.1 cents per share (not imputed) would be paid to shareholders on 18 February 2019. This dividend reflects Oceania's steady earnings and cash flow and is in line with the Board policy.

ENDS

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