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Ryman reports audited full year underlying profit of $227 million, up 11.5%

Highlights:

- Underlying profit up 11.5% to $227 million in the year to March 31, 2019
- Reported (IFRS) profit down 16% to $326 million
- Full year dividend lifted to 22.7 cents per share, in line with underlying profit
- Operating cash flows rose 15% to $401.4 million
- Cash receipts up 15% to $1 billion
- 757 units and beds built, up 42%
- Increased investment in improving the resident experience
- Increased investment in team pay and development
- Continued strong demand for villages with only 1% of resale stock unsold at year end, and 97% occupancy at established care centres
- Tenth site secured in Victoria, target remains to have 5 villages open by the end of 2020
- Landbank lifted by 18% with more than 7,000 beds and units at 20 villages planned
- Build rate lifting, 12 sites expected to be under construction in the coming year

Ryman Healthcare's full year underlying profit rose 11.5% to a record $227 million driven by increased development margins and solid demand. Momentum grew during the year with four large new villages progressing and Ryman has a record landbank to develop after acquiring six sites in the year.

Audited reported profit after tax, which includes unrealised fair value gains on investment property, was $326 million, down 16% from $388 million.

The 2018 full year result was boosted by changes to the independent valuation assumptions. There were no significant changes to the assumptions in the 2019 year.

Underlying profit was within the range of $223 million to $238 million forecast at half year, and is in line with the market consensus.

Shareholders will receive an increased final dividend of 11.9 cents per share, taking the total dividend for the year to 22.7 cents per share, in line with the increase in underlying profit. The dividend will be paid on June 21, the record date for entitlements is June 7.

The growth in underlying profit was driven by strong development margins, particularly from Ryman's second village in Melbourne.

Chairman Dr David Kerr said demand for Ryman's unique villages and high-quality care remained strong.

Only 1% of resale stock was available at year end, and care occupancy in established villages remained above 97% during the year, well above the industry average of 87% in New Zealand.

Operating cashflows were up 15% to $401.4 million, and cash receipts from residents exceeded $1 billion for the first time.

"We are pleased to report it has been a solid year given the current trading environment which has included challenging market conditions.

"These have not put a dent in our plans to invest for the long term in our villages and in improving life for residents and staff," Dr Kerr said.

Ryman invested $552 million in new and existing villages during the year, up from $478 million last year. Net assets are now at $2.2 billion, up from $1.9 billion a year ago.

"We invested heavily in care, service improvements for residents, refurbishing older villages and in increased pay, particularly for nurses. While these investments cost us in the short term, we think they will result in happier residents and team members who remain loyal to Ryman."

"Our latest surveys show that our people are happier than ever, and we are introducing innovations which we think will make our villages even better to live in."

"We are rolling out new village hosting services, a new meal service for independent residents, and a new approach to dementia care. We are also trialling a taxi and car sharing service, an electric car charging network in Auckland and new generation solar-powered townhouses."

Ryman's New Zealand village teams achieved the best clinical audit results in the company's history, with 81% of care centres achieving 'gold standard' four-year Ministry of Health certification.

Ryman was named the Most Trusted Brand in the aged care and retirement village sector in New Zealand for the fifth time, and its myRyman application won a top accolade at the 2019 Asia Pacific Eldercare Innovation Awards in Singapore last week.

Chief Executive Gordon MacLeod said highlights were continued improvements in resident care, progress in Victoria, the growing land bank, and record levels of staff engagement.

Ryman has a record land bank, with 7,000 beds and units at 20 new villages either under development or in the planning and design stages.

Six new sites were added during the year at Aberfeldie, Ocean Grove and Ringwood East in Victoria; Kohimarama in Auckland; and Bishopspark and Riccarton Park in Christchurch.

"There will be a lot of momentum as new villages come through over the next few years. We have four large villages selling in Melbourne, Auckland and Hamilton and we expect to have 12 sites under construction in the next 12 months. We are about to move into our biggest ever build programme," Mr MacLeod said.

While resale volumes were flat, Ryman ended the year with only 1% of resale stock to sell.

"There is no shortage of demand. We ended the year with our busiest March on record, and we are expecting that momentum to continue in the coming year," Mr MacLeod said.

Ryman announced changes to its development team, with Chief Development Officer Andrew Mitchell moving into a consulting role to assist with special projects.

"Andrew has made a significant contribution to Ryman over the past 12 years and has built a strong team which will continue to drive our expansion in New Zealand and Victoria," Mr MacLeod said.

Jeremy Moore, a senior member of the development team for the past seven years, has been named Acting Chief Development Officer.

Dr Kerr said the focus remained on preparing for the extraordinary demand ahead as the populations in New Zealand and Victoria continued to age.

Ryman was on track to have five villages open in Victoria by the end of 2020. With the build programme ramping up, Ryman reaffirmed its medium-term target of doubling underlying profit every five years.

"We will continue to monitor the market closely – we have been in business for 35 years and through many cycles before. Our mission remains the same. We want to continue to build trust by providing the best of care in vibrant communities. We will continue to expand and invest so we can meet our social purpose of taking Ryman communities to as many people as possible."

New village programme:

Brandon Park, Melbourne (Nellie Melba): Village and care centre open.

Lynfield, Auckland (Murray Halberg): First residents in, village and care centre under construction.

Devonport, Auckland (William Sanders): First residents in, village and care centre under construction.

River Rd, Hamilton (Linda Jones): First residents in, village and care centre under construction.

Burwood East, Melbourne: Development approval received, site works under way.

Geelong, Victoria: Development approval received, early site works due to start.

Lincoln Rd, Auckland: Consent received, site works under way.

Havelock North, Hawkes Bay: Consent received, early site works due to start.

Coburg, Melbourne: Preliminary site works under way.

New villages in planning and design phase:

Aberfeldie, Victoria.

Ocean Grove, Victoria.

Mt Martha, Victoria.

Ringwood East, Victoria.

Mt Eliza, Victoria.

Hobsonville, Auckland.

Kohimarama, Auckland.

Riccarton Park, Christchurch. (Subject to Overseas Investment Office approval)

Bishopspark/Park Terrace, Christchurch. (Subject to Overseas Investment Office approval)

Karori, Wellington.

Newtown, Wellington.

About Ryman: Ryman Healthcare was founded in Christchurch in 1984 and owns and operates 36 retirement villages in New Zealand and Australia. Ryman villages are home to 11,500 residents, and the company employs over 5,300 staff.

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RYMAN HEALTHCARE LIMITED
KEY STATISTICS

		Mar 19 Full Year Audited	Mar 18 Full Year Audited
Underlying profit (non-GAAP)[1]	$m	**227.0**	**203.5**
Plus unrealised gains on retirement-village units	$m	102.4	185.3
Less deferred tax movement	$m	(3.4)	(0.6)
Reported net profit after tax	$m	**326.0**	**388.2**
Net operating cash flows	$m	**401.4**	**349.3**
Earnings per share – basic and diluted	cents	65.2	77.6
Dividend per share	cents	22.7	20.4
Net tangible assets – basic and diluted	cents	428.4	384.0
Sales of Occupation Right Agreements			
New sales of occupation rights	no.	414	458
Resales of occupation rights	no.	824	825
Total sales of occupation rights	no.	1,238	1,283
New sales of occupation rights	$m	290.7	307.3
Resales of occupation rights	$m	417.4	414.6
Total sales of occupation rights	$m	708.1	721.9
Portfolio:			
Aged-care beds	no.	3,660	3,367
Retirement-village units	no.	6,878	6,414
Total units and beds	no.	10,538	9,781
Land bank (to be developed) [2]			
Aged-care beds	no.	2,062	1,720
Retirement-village units	no.	4,950	4,232
Total units and beds	no.	7,012	5,952

[1] Underlying profit is a non-GAAP* measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and so may not be comparable to similar financial information presented by other entities.

The Group uses underlying profit, with other measures, to measure performance. Underlying profit is a measure that the Group uses consistently across reporting periods. Underlying profit excludes deferred taxation, taxation expense, and unrealised gains on investment properties because these items do not reflect the trading performance of the Company. Underlying profit determines the dividend payout to shareholders.

[2] The land bank is subject to resource and building consent and various regulatory approvals.

*Generally Accepted Accounting Principles