



Date: 28 February 2014
Media Release

Metlifecare Progresses its Development Pipeline

Metlifecare achieved a positive result for the half year ended 31 December 2013 as the retirement village provider continued its focus on development and portfolio growth.

Net profit after tax of \$26.8 million for HY14 was up 8% after excluding non-recurring items¹ in the previous first half year.

The company produced an underlying profit² of \$15.3 million, up 77% on the previous first half year.

The year on year comparative results reflect the significant change in the company since the merger with Vision Senior Living and Private Life Care Holdings in July 2012. In particular, the prior HY13 results include the one-off gain from the merger, as well as earnings from the Oakwoods village which was sold in November 2012.

Sales activity remained strong in HY14, with 19 sales and 172 resales generating gross cash flows of \$69.7 million. This was down on HY13, which benefitted from a one-off increase in completed stock as part of the merger. This stock was progressively sold during FY13. Constrained stock levels in the high demand Auckland area impacted on both sales and resales during HY14, however, volumes are expected to rise as new stock from Metlifecare's development pipeline becomes available.

Metlifecare is progressing a number of large development opportunities as it focuses on building its portfolio and achieving its target build rate of 200+ units per year by 2015.

Two new villages on Auckland's North Shore are included in the company's development pipeline. Work commenced at The Orchards in January 2014, a \$40 million village with 96 apartments and a 36-bed care facility in Glenfield. In addition, resource consent has been received for Greenwich Gardens, a high quality \$160 million village in Unsworth Heights, which will offer 75 villas, 235 apartments and a 61-bed care facility.

Work on stage 3 of The Poynton, in Takapuna, Auckland, is nearing completion and will offer 55 apartments – applications have been received for 24 units to date. The final stage 4 is due to commence shortly, providing a further 62 apartments. Resource consent applications are being prepared for further development at The Avenues in Tauranga and for expansion of Coastal Villas in Paraparaumu.

The residential real estate market continued to perform well, particularly in the upper North Island where the majority of Metlifecare's villages are located. This enabled positive movements in pricing. Capital gains and the Deferred Management Fees (DMF) per unit have continued to increase.

¹ Non-recurring items include items associated with the acquisition of Vision Senior Living and Private Life Care Holdings and the disposal of the Oakwoods village which occurred in the prior period and not in the current period. Net profit after tax excluding non-recurring items for HY14 was \$26.8 million and for HY13 was \$25.0 million. Please refer to the key statistics attached. Net profit after tax excluding non-recurring items is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. Metlifecare believes this assists readers to understand the operating performance of the business on a comparable basis.

² Underlying profit before tax removes the impact of unrealised gains on investment properties and excludes one-off gains and deferred taxation. Underlying profit for HY14 was \$15.3 million and for HY13 was \$8.6 million – underlying profit is reconciled to reported profit in the key statistics attached to this announcement. This is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. Underlying profit is an industry-wide measure and Metlifecare believes it assists readers to understand the operating performance of the business.



Revenue was up to \$46.2 million (HY13: \$43.5 million), mainly due to higher DMF income. Total expenses of \$39.9 million (HY13: \$44.2 million) were also an improvement on the previous half year, which included the one-off merger and integration costs, as well as the loss on the sale of the Oakwoods village. Operating cash flow reduced to \$11.8 million (HY13: \$19.2 million), primarily due to the lower sales and resales activity during the period as a result of lower available stock levels.

Total assets grew by 5% during the period due to the \$25.5 million increase in the fair value of investment properties which were valued at \$1.893 billion as at 31 December 2013. Net Tangible Assets per share increased by 6% to \$3.57.

During the period Metlifecare re-negotiated its bank facilities. The core debt facility has been extended to 31 October 2017 whilst the development debt facility now extends to 31 October 2018. The majority of drawn debt is development-related.

The Chairman of Metlifecare, Peter Brown, said: "We are pleased to report a positive result for the 2014 half year as we continue to build on our position as New Zealand's second largest retirement village provider.

"Portfolio growth is an important part of our focus for this year. The number of New Zealanders aged over 65 years is expected to almost double in the next 30 years and we are positioning ourselves to take advantage of the increasing demand for quality retirement living options.

"We have a number of exciting development projects currently underway and continue to identify and assess suitable land sites particularly in the upper North Island. The property market within our targeted geographical regions continues to perform well and we are taking a carefully considered approach to land acquisitions in these areas.

"We are seeing the benefits of having an experienced in-house development team and are looking at other opportunities to build our capabilities and reduce costs as we advance our development pipeline.

"We are strategically located in prime residential markets, where there is a demand for our offering. Stock levels are expected to increase as The Poynton stage 3 is completed and our other developments are progressed. We are expecting a positive finish to the financial year, with higher sales and resales activity than in the first half year."

The directors have resolved an interim dividend of 1.25 cents per share, to be paid on 17 April 2014, with a record date of 3 April 2014. The Dividend Reinvestment Plan, incorporating a 2.5% discount, continues.



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About Metlifecare 

Metlifecare is a publicly-listed aged care and retirement lifestyle company.

Established in 1984, the company has a proven track record of successfully owning and managing retirement villages in New Zealand. Metlifecare currently owns villages in prime locations throughout the North Island of New Zealand, with most providing a full continuum of care from independent villas and apartments through to serviced apartments, rest homes and hospitals.

Attachment: Key Statistics for the Half Year Ended 31 December 2013



METLIFECARE
KEY STATISTICS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| | Half Year 14 31 Dec 13 Unaudited | Half Year 13 31 Dec 12 Unaudited |
|---|---|---|
| Net Profit After Tax (\$m) | 26.8 | 87.1 |
| Gain on acquisition | - | (63.6) |
| Merger & integration costs | - | 3.6 |
| Oakwoods' net profit | - | (2.1) |
| Net profit excluding non-recurring items | 26.8 | 25.0 |
| Fair value movement of investment properties | (25.5) | (28.3) |
| Realised gain on resales | 8.7 | 9.2 |
| Realised development margin | 1.1 | 3.7 |
| Tax benefit/(expense) | 4.2 | (1.0) |
| Net Underlying Profit before Tax (\$m) | 15.3 | 8.6 |
| Total Revenue | 46.4 | 43.7 |
| Operating Cash flows (\$m) | 11.8 | 19.2 |
| Operating Expenses (\$m) | (39.9) | (44.2) |
| Basic Earnings per share (cents) | 12.76 | 48.86 |
| Dividend per share (cents) | 1.25 | 1.0 |
| Sales of Occupation Right Agreements | | |
| New units (number) | 19 | 59 |
| Existing units (number) | 172 | 192 |
| New units (\$m) | 7.8 | 24.8 |
| Existing units (\$m) | 61.9 | 67.5 |
| Asset Base | | |
| Retirement village units (number) | 3,841 | 3,812 |
| Residential care beds (number) | 359 | 359 |
| Total Assets (\$m) | 1945 | 1852 |
| Net Tangible Assets per share (cents) | 357 | 336 |
| Embedded Value per unit (\$000) | 123.9 | 112.8 |
| Landbank | | |
| Retirement village units (number) | 812 | 735 |
| Residential care beds (number) | 241 | 78 |
| Total | 1,053 | 813 |