Metlifecare

MEDIA RELEASE

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METLIFECARE ACHIEVES GROWTH TARGETS

Metlifecare Limited performance overview for the twelve months to 30 June 2018

- **Reported net profit after tax $125.1 million**
- **Underlying profit before tax[1] $87.5 million**
- **Underlying operating cash flow[2] $54.3 million**
- **Fair value movement in investment properties $134.9 million**
- **Total assets $3.3 billion**
- **Village occupancy 98%, care occupancy 95%**
- **254 new homes and care beds delivered**
- **Development margin[3] 27%**
- **Net assets per share $6.93**
- **Final dividend 6.75 cents per share, total year dividend 10.0 cents**

Metlifecare today reported a strong financial result for the twelve months to 30 June 2018, highlighted by record underlying earnings and underlying operating cash flows. Net underlying profit before tax was $87.5 million, 7% higher than last year, and underlying operating cash flows increased by 6% to $54.3 million.

Chief Executive Glen Sowry said 2018 was a year focused both on performance improvement and investing for the future. "We have achieved a record performance in all key areas including underlying earnings and cash flows, new homes and care beds delivered, and we now have a quality 6-year land bank. At the same time, we have continued to invest in our villages, our people and strengthening our core capability to drive future performance."

"Our financial result was driven by a particularly strong second half resales performance, with 7% higher settlement volumes and an average price uplift of 8%. This was a very good performance in a more moderate market and reflects the demand for and quality of our villages."

Mr Sowry said the fair value of Metlifecare's investment properties grew by $134.9 million or 10%, a strong result. As anticipated, the rate of increase was below last year due to modest house price growth. Reported net profit after tax, which includes non-realised fair value increase in the company's assets, was

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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. These cash outflows are of an abnormal and temporary nature and will reverse in subsequent periods. Refer page 22 of results presentation for more detail.

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

125.1 million, compared with last year's record $251.5 million. The value of the company's total assets increased 11% to $3.3 billion and net assets per share increased 8% to $6.93.

The Board has declared a final dividend of 6.75 cents per share, bringing the total for the twelve-month period to a new high of 10.0 cents per share. The dividend is unimputed and will be paid on 21 September 2018, with a record date of 14 September 2018.

Development highlights

Metlifecare's development team met or exceeded every target for the year, delivering 254 homes and care beds – the most ever for Metlifecare. Mr Sowry said development margins lifted to 27% from last year's 23%, as the result of disciplined in-house project and design management.

"Our 2019 construction programme is on track, and we are excited about opening the first stage at our new Gulf Rise village at Red Beach. We also purchased two new prime coastal sites during the year, at Hobsonville's Orion Point and at Beachlands on Auckland's Pohutukawa Coast which combined, will deliver more than 500 new homes and care beds."

The company sold occupation right agreements to 98 new homes during the year, comprising most of the available development stock. A further 160 new homes were completed in June. Mr Sowry said while this had resulted in higher development stock levels at 30 June 2018, over 50 homes were already under contract.

Existing villages

Village occupancy remained stable at 98% across the year reflecting ongoing high demand for Metlifecare's villages. Realised resales gains for occupation rights agreements were $62.3 million, 13% higher than last year.

Mr Sowry said the regeneration and betterment projects at existing villages were progressing well, with the June completion of the new Manukau Building at Titirangi's Pinesong Village being a milestone. "The Manukau Building is Metlifecare's first major village regeneration project, where we replaced an older block with 48 high-quality apartments, many of which overlook the Manukau Harbour. Sales are tracking ahead of expectations with more than half already sold or under contract, which is very pleasing."

An additional 44 homes were repurchased by Metlifecare during the year for regeneration projects as well as accommodating residents in villages undergoing betterment. "While this has had short-term financial impact, our support and care of residents is paramount and we wished to ensure they could remain within their village communities," said Mr Sowry. He said the homes would be progressively released for resale as various stages of that programme are completed.

Mr Sowry highlighted the progress being made by Metlifecare's refurbishment programme, where standard operating procedures, streamlined administration and smarter procurement are collectively contributing to improved outcomes.

Expansion of Care

Mr Sowry said Metlifecare's care performance was a real success story this year, with the new resident-directed care approach resetting standards and resident expectations. "This approach empowers our care residents to live how they want to, rather than having a lifestyle and routine prescribed for them," he said. "Our residents and their families are loving this approach, and occupancy for our care homes remains very strong at 95%, compared to the 88%[4] industry average."

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[4] *Source: NZ Aged Care Association Aged Residential Care Occupancy March 2018*

"Our two new homestead-model care homes at Greenwich Gardens and Somervale are tracking very well and have exceeded their occupancy and premium revenue targets. We are looking forward to opening two more homestead-style care homes at The Avenues (Tauranga) and Papamoa Beach Village in mid-2019." The company also reported that every full care home audit undertaken in FY18 achieved 'gold standard' four-year certification, underpinning the high level of clinical care being delivered to residents.

Investing in our people

Mr Sowry said investment in people remained a priority, with more than 12,000 hours of training and development delivered to the company's 1,000+ employees through the year. "The need to attract and retain high calibre, skilled people is stronger than ever. We have supported the new carer pay equity environment through voluntarily improving the relativities with some other roles in the organisation, as well as linking pay rates to qualifications and performance. Pleasingly, we have achieved substantial improvements in staff retention with a 12% reduction in overall turnover and 20% reduction in care staff turnover. This has, in turn, benefited the quality and consistency of the experience we provide our residents."

Summary and outlook

Metlifecare's Chair Kim Ellis said the Board was proud of Metlifecare's performance during the year. "We are seeing returns on the investment made over the past couple of years - in our development momentum, our solid margins and the quality of the product and customer experience we are offering."

"As always, our highest priority is to provide outstanding experiences for our existing and future residents. We will also continue to innovate with new experiences that meet the evolving needs of our residents, and empower them to live the way they choose."

Mr Sowry said development would continue at pace in the year ahead, and investment in the regeneration and betterment of existing villages would also increase, with significant improvement works being carried out at five targeted villages during the year. The company is anticipating higher sales volumes in both development and resales, weighted to the second half.

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About Metlifecare:

Metlifecare is a leading New Zealand owner and operator of retirement villages, providing rewarding lifestyles and an outstanding level of 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.

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).

Website: www.metlifecare.co.nz

Metlifecare

Metlifecare - Performance Summary	FY18 Audited	FY17 Audited	Movement
($m except as noted)			
Net Profit After Tax	**125.1**	**251.5**	-50.3%
Non recurring item	-	(1.1)	
Net profit excluding non recurring item	125.1	250.4	-50.1%
Fair value movement	(134.9)	(258.8)	-47.9%
Impairment of care homes	3.8	6.2	-37.6%
Realised gain on resales	62.3	55.3	12.6%
Realised development margin	16.4	19.0	-13.3%
Tax expense	14.8	10.0	47.9%
Underlying Profit Before Tax	**87.5**	**82.1**	6.6%
Total income	115.3	109.1	5.7%
Operating expenses excluding Finance Costs	(112.2)	(109.1)	2.9%
Operating cash flow	110.7	129.3	-14.4%
Operating cash flow excluding development sales and buy back costs	54.3	51.3	5.8%
Development sales	63.2	82.5	-23.4%
Existing unit sales	186.8	162.2	15.1%
Total ORA sales	250.0	244.7	2.2%
Totals assets	3,291.0	2,960.6	11.2%
Total value of investment properties	3,188.9	2,889.4	10.4%
Total equity	1,476.3	1,370.2	7.7%
Earnings per share (cps)	58.8	118.3	-50.3%
Interim Dividend per share (cps)	3.25	2.25	44.4%
Final Dividend per share (cps)	6.75	5.80	16.4%
Total Dividend per share (cps)	10.00	8.05	24.2%
Development sales settlements (number)	98	130	-24.6%
Resales settlements (number)	343	322	6.5%
Total volume (number)	441	452	-2.4%
Retirement village units (number)	4,380	4,207	4.1%
Residential care beds (number)	370	342	8.2%
Total units & beds (number)	4,750	4,549	4.4%
Net assets per share ($)	6.93	6.43	7.8%
Embedded value per unit ($'000)	281	269	4.5%
New homes & beds delivered (number)	254	235	8.1%
Land Bank			
Retirement village units (number)	1,370	1,305	5.0%
Residential care beds (number)	374	361	3.6%
Total land bank (number)	1,744	1,666	4.7%
Shares on issue ('000)	213,132	213,006	