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MEDIA RELEASE

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A renewed focus on execution

Oceania Healthcare (NZX: OCA) reported underlying EBITDA[1] of $38.6m up 2.7% for the six months ending 30 September 2024, as the company continues to focus on improving its sales capability, modernising and rebalancing its property portfolio, and lifting earnings and profitability from care services.

Financial Summary and Highlights[2]

- Reported Total Comprehensive Income of $11.8m (1HY24, $61.7m).
- Reported NPAT loss of $(17.1)m, (1HY24, $35.2m profit).
- Underlying EBITDA rose to $38.6m, 2.7% above 1HY24.
- Underlying NPAT was $24.0m, 12.5% lower than 1HY24
- Operating Cashflow increased to $70.4m, 23.1% above 1HY24,
- Total Assets increased to $2.82b, $38.9m increase above FY24.
- Net Tangible Assets increased to $1.03bn, or $1.43 per share,
- Four non core sites divested for $25.1m.
- Debt gearing reduced to 37.5% compared with FY24 38.3%. All banking covenants have been met.
- Realised capital gains rose to $38.2m, 34.9% higher than 1HY24.
- Premium care revenue was up 12.3% on 1HY24 to $12.4m.
- Unsold stock levels at $305m, 13.5% below FY24.
- Resales of independent living units (ILUs) (59 units sold) and care suites (110 suites sold).
- New care suite sales outperformed with 51 new care suites sales during the period.
- 224 independent living units and care suites to be delivered during FY25 including 106 care suites at Elmwood in Auckland delivered in 1HY24.

Financial Performance

Despite New Zealand's economic downturn, Oceania achieved a solid first six months of FY25, lifting Underlying EBITDA by 2.7%, compared to the same period last year, to $38.6m. With increased sales volumes and prices, particularly in relation to care suite volumes, capital gains rose 34.9% period on period to $38.2m.

Underlying Net Profit After Tax (NPAT) was down 12.5% on 1HY24 to $24.0m, largely a result of increased interest expense in relation to completed developments.

Positive fair value movements in the care suite product are recognised in other comprehensive income, or in equity, rather than fair value movements in investment property in total income because of the classification of the care suite product as property, plant and equipment. Together with the recognition of an impairment in relation to the Elmwood care site in Auckland, as we partially closed the existing brownfield buildings and relocated residents to the newly commissioned care suite building, this resulted in a loss of $17.1m at the reported NPAT level.

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[1] Underlying NPAT is a non GAAP (unaudited) financial measure and differs from Reported NPAT by replacing the unrealized fair value adjustment in property values with the Boards adjustment in property values with the Boards estimate of realised components of movements in property value and eliminate other unrealized deferred tax and one off items. A reconciliation is included within the Interim Report and the Investor Presentation.

[2] All balances have been extracted from the 30 September 2024 interim financial statements and are unaudited.

Development stock continued to be sold down in the six months to 30 September 2024 with unsold new stock levels reducing by 13% to $305m. This contributed to the 23.0% increase in cash from operating activities from 1HY24, a net $70.4m cash inflow for the six months to 30 September 2024.

Portfolio Rebalancing and Modernising

Oceania has continued to make progress rebalancing its portfolio and modernising facilities to support its premium quality care for residents. In the six months under review, 106 new care suites were completed at Elmwood in Auckland. A further 68 apartments will be delivered at Awatere in Hamilton, and 50 apartments at Waterford in Hobsonville Point in west Auckland by the end of 2024.

Oceania divested four sites during the period under review: Takanini (91 beds) in Auckland, Middlepark (54 beds) and Holmwood (46 beds) in Christchurch, and Victoria Place (51 beds) in Tokoroa. Future development and divestments will continue to rebalance the portfolio away from standard care beds to care suites as well as delivering additional ILUs.

Focus on Execution

Chief Executive Officer Suzanne Dvorak, who joined the company in July 2024, said Oceania's focus for the near term will be on improving capability in sales, continuing to modernise the property portfolio, and lifting earnings and profitability from care services.

"We are clear about near term priorities and elements of operational execution we need to fix or improve," she said. "The first is to lift sales, focusing on unsold stock which will support debt reduction. The establishment of a new role at our Executive table of Chief Sales and Marketing Officer recognises that improved performance in this area is a core issue for the business that we need to urgently and structurally address."

"The second priority is streamlining our development programme, completing our brownfield developments, and undertaking broadacre greenfield development, including our Franklin development, to support our portfolio rebalancing," said Ms Dvorak.

"Thirdly, while care will remain a critical differentiator for Oceania, we need to get our delivery model right so that earnings and profitability are sustainable, which is proving challenging right across the sector. We are fortunate to have skills and experience to tackle the detail of our operations and execution to improve efficiency." she said.

Outlook

Oceania Chair Liz Coutts says the company is focused on improved performance and stated

"We have clear objectives for the business through FY25, including the critical focus on sales execution to reduce gearing ratios, and improving returns on care services. As we move into the next phase, our focus remains on a full continuum of care, as we differentiate on the quality of our care and quality living for our residents," she said. "Moving into the Christmas period, we are pleased with the level of applications coming in, including a more positive response to our market reposition of The Helier in Auckland."

Oceania Chair, Liz Coutts advises that "The Board has decided to continue to pause dividends for the interim period given current gearing levels. Looking ahead, the Board expects to resume dividends when we have achieved sufficient sales to have reduced our new stock level and gearing ratio."

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