CHAMPIONS TROPHY
Case Competition

UNIVERSITY OF AUCKLAND
Waipapa Taumata Rau
NEW ZEALAND
BUSINESS SCHOOL

RYMAN HEALTHCARE

Case Study 4: Ryman Healthcare

Saturday 3 February

Case prepared by Doris Dong and Brett Chang under the supervision of Kendall Wu. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publically available sources and Ryman Healthcare. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

From: Alice Casington
To: Champions Trophy Teams
CC: Patricia Prizemoney, Geraldine Greenback, Johnny Cash, Peter Profiteer
Subject: Ryman Healthcare Strategy Presentation

Good morning all,

New Zealand, Australia and the world are getting older and older!

Our client today is Ryman Healthcare (Ryman), a prominent retirement village operator who are looking to meet the diverse needs of seniors and capitalise on the demographic trends shaping the retirement living sector.

Since 2014, Ryman has been repeatedly named the Most Trusted Brand in the aged care and retirement village category in New Zealand. Ryman earns this title through maintaining the highest standards of care, and holding resident experience as a key priority. Ryman continues to lead the sector in care quality with 85% of its New Zealand care centres receiving the 4-year Ministry of Health certification (highest certification), the highest amongst all of the large providers.

Moving into the Victorian market in 2011 saw Ryman enter a highly fragmented aged care market. Since then, they have continued to grow in both Victoria and New Zealand. ***What should their focus be for the next 5 years - focus on their current markets, or continue to expand by pursuing more developments in Australia?***

The challenging housing market has significantly affected Ryman's sales, with booked new sales/resales down 9.5% relative to March 2023.[1] As a result, Ryman undertook a strategy reset, focusing on cash flows and capital management. Looking to the future, the ageing population and the rising demand caused by baby boomers indicates the potential for higher levels of development. ***Will Ryman maintain financial resilience amid market challenges and demographic shifts in the ageing population with their strategy reset alone, or is there more they need to do? What other key factors should Ryman consider when planning for the future?***

The senior executive team and board invite you to give a presentation of no more than ten minutes to hear what you believe the key issues facing Ryman are; what strategies you propose they employ to take Ryman into their next stage of growth. Our team has attached information, some of which you may find relevant.

Kind Regards,

Alice Casington
CTCC Consulting Group

1 Ryman Website

Photo by Caleb Shong on Unsplash

Company Overview

Background

In 1983, Kevin Hickman walked into a fire-damaged building to investigate how a fire had started. The building was a rest home, and Kevin didn't like the standard of care he saw.

"There were four people to a room, with shared toilets down a corridor. The people running the rest home were nice and did a good job in as much as they were expected to. But to me, the standard was so poor, and preserving the dignity of the residents didn't appear to be a priority. However, that's how care was in those days."

That experience got Kevin thinking about what the standard should be. "I thought, what would I want for Mum? I'd want a private room, for a start." Along with his business partner John Ryder, the pair started a business that would improve the way older people lived and how they were cared for. It was a business they could feel good about and believe in completely. And with that, Ryman - formed by combining Ryder and Hickman - was born.[1]

After three decades, Ryman Healthcare has grown to become a leader in the development and management of integrated retirement villages for the elderly. Following their success in providing retirement living and care in retirement village communities across New Zealand, Ryman made the leap over to Melbourne in 2011, and has continued to grow the business in both Australia and New Zealand.

Ryman currently employs approximately 6,700 staff to look after over 13,000 residents across its 48 villages. The company operates a continuum care model, with its integrated villages offering independent and assisted living alongside its rest home, hospital and dementia aged-care beds.[2]

History - Key Highlights

- 1984 - Ryman Healthcare founded by John Ryder and Kevin Hickman
- 1996 - Opened first village offering continuum of care – Rowena Jackson Village in Invercargill
- 1999 - Listed on NZX, raising $25 million, market capitalisation $135 million, 1,600 shareholders
- 2007 - Doubled target growth rate to 300 retirement village units and 100 rest home/hospital beds
- 2011 - Acquired first site in Australia at Wheelers Hill, Melbourne[3]

1 Ryman Website
2 IBISWorld Report
3 Ryman Website

Contents

Ryman Retirement Villages Overview

The Ryman recipe was to buy the right site in a well-established suburb, use working capital to build the first stage of the village, sell that, and use the capital to fund the next stage. They'd then build a care wing and operate the village using home-grown staff trained in Ryman systems.[4]

Currently, Ryman has 48 villages across New Zealand and Australia. The following tables and graphs show breakdown of village locations and living options:

Living Options	Description of Services
Independent Living	[illegible]
Assisted Living	[illegible]
Rest Home*	[illegible]
Hospital*	[illegible]
Respite/Short Term	[illegible]
Specialised Care	[illegible]
[illegible]	

Strategy Reset

Ryman undertook a $902 million capital raise through a 1 for 2.81 accelerated pro rata entitlement offer of new ordinary shares, with trading of retail entitlements on the NZX.[5] New developments are debt funded, and therefore the first time a retirement village unit is sold, the capital is used to repay the debt taken to build the village. As such, debt capacity is something that retirement villages must consider as it is a key constraint on future unit delivery. The purpose of the raise was to pay down debt and fund future developments, decreasing Ryman's debt to equity ratio from 45.3% down to 33.9%. This reflected a shift in focus towards prioritising capital recycling and near-term cash flow.

"With a recapitalised balance sheet, a refreshed leadership team and a newly focused approach to development, we believe we are well placed to take advantage of the opportunities in our business," Umbers said.[6]

Ryman are currently implementing a number of initiatives to improve capital efficiency and performance as part of their new growth model:

- Shifting to lower-density, townhouse-style villages that have an improved cash flow profile
- Shifting their future development mix towards a higher ratio of retirement-village units relative to aged-care beds, while remaining true to delivering a continuum of care
- Diversifying their revenue streams through the introduction and delivery of new services that complement current resident offerings - exploring care suites and how Ryman can increase the revenue they can from aged care.
- Reducing DMF phasing from 5 years to 4 years for independent-living units in order to realise DMF revenues faster, and commencing a trial of alternative DMF structures
- Improved cost management and operational efficiency[7]

4 Ryman Guide
5 NZX Announcement
6 RNZ News Article
7 Ryman Annual Report 2023

The following diagram shows where Ryman's villages are located:[1]

1 Ryman Half Year Report 2024

Demographic Information

Ageing Populations and Retirement Village Uptake

New Zealand and Australia

New Zealand' ageing population continues to increase, with forecasts suggesting that people aged 65+ will reach one million by 2028.[8] Similarly, Australia experiences a similar trend. The ageing of Australia's population as a result of sustained low fertility, combined with increasing life expectancy is likely to continue with the number of people aged 65 years and over also projected to nearly double, from 3.8 million people in 2017 to between 6.4 million and 6.7 million people in 2042.[9] Healthcare technological advancements and increased life expectancies are both contributing to the increasing ageing population. Increased life expectancy means that most NZ and Australians will live to an age where some form of assisted living is essential, therefore the combination of the two factors are subsequently driving demand for aged care beds.

The following survey shows which factors are most important when deciding on on future living arrangements[10]

- Most seniors tip towards preferring an active retirement lifestyle (62%) with only a few really aspiring to a more passive approach (8%)
- Top 5 worries about future living arrangements
  - Being able to live independently 55%
  - Affordability of retirement villages 40%
  - General financial pressures 40%
  - Loneliness 24%
  - Being a burden to my children 22%
- Top 5 key considerations you (would) make when deciding where to settle down in your retirement
  - Affordability 70%
  - Access to health care and other needs 66%
  - Proximity to amenities 59%
  - Proximity to family 53%
  - Proximity to friends/people to socialise with 44%

Globally

By 2030, 1 in 6 people in the world will be aged 60 years or over. At this time the share of the population aged 60 years and over will increase from 1 billion in 2020 to 1.4 billion. By 2050, the world's population of people aged 60 years and older will double (2.1 billion). The number of persons aged 80 years or older is expected to triple between 2020 and 2050 to reach 426 million.[11]

Baby boomers driving increase in demand

The most important aspect of moving into a retirement village is the ability to release equity to buy into a unit, which usually means selling ownership of an existing property. Baby boomers, having experienced a period of unprecedented economic growth and prosperity in their working years, often possess substantial financial resources, which include properties. This financial stability enables them to actively seek out and invest in retirement options that not only meet their basic needs but also cater to their desire for an enriched and fulfilling lifestyle during retirement. As a result, the retirement sector has witnessed a surge in the development of upscale, amenity-rich communities that offer a plethora of recreational, cultural, and wellness activities. Larger wealth among the retiring population also increases demand for high quality aged care and empowers consumers to be more discerning.

Nursing Shortage

Widespread staff shortages and neglect in New Zealand's aged care sector have involved problems due to the shortage of 1200 nurses in the sector[12]. This has led to closures of beds and impacted care outcomes for elderly individuals which has created a "bed block" crisis in public hospitals forcing high-needs care residents to move between rest homes or into public hospitals when space is available[13]. Aged Care Association president Simon Wallace highlights a shortfall of registered nurses in the workforce, resulting in the closure of 500 hospital beds in the past six months[14]. Furthermore, the Nurses Society attributes the staffing shortage to less attractive pay rates and conditions in the aged care sector, advocating for better employer support, improved conditions, and changes in staff ratios[15].

8 Stats NZ - see appendix for year breakdowns
9 Australian Bureau of Statistics
10 NZ SENIORS Findings - March 2022
11 World Health Organisation
12 NZ Herald
13 NZ Herald
14 RNZ NZ Health
15 RNZ NZ Health

Increase in dementia

Nearly three per cent of all Aotearoa New Zealanders will have dementia by 2050, including over 10 per cent of our 65+ population. This is a 240 per cent increase in dementia numbers in the next 30 years.[16] The current state of dementia support services are unable to cope with the rapidly growing numbers of New Zealanders who will develop dementia as they age. Dementia care is provided with inconsistent quality around the country, stemming from inadequate funding. There is also a greater need and demand for specialised dementia care.

The effects interests rates have on the housing market and development costs

The housing market took a downturn since 2021 due rising home-loan interest rates and a slowing economy at the time, with average house prices having fallen a total of $138,000 (13%) from the record highs set in late 2021. Auckland prices were hit the hardest, falling $261,000 over the same time.[17] Since then, a slow crawl to recovery began, and estimates are showing that prices will continue to rise.

Given that retirement villages operate in property development, movements in the housing market have huge implications on retirement unit sales. Fluctuations in property values and overall market conditions can directly affect the sale prices of retirement units, and therefore the ability to attract residents and maintain high occupancy rates is closely tied to the overall health of the real estate market. In a strong market, seniors may be more inclined to sell their existing homes and move into retirement villages. In a weaker market, they may delay such decisions. On the flip side, residents who do want to move in delay their decision because they have difficulty in selling their house to unlock the equity required to pay for a retirement unit.

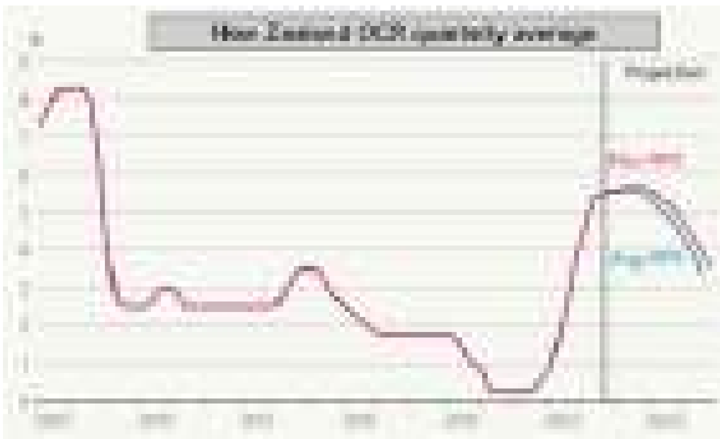
The housing market will also affect retirement village operators' decisions for their development pipeline. Retirement village operators continuously add to their land bank portfolio, and land procurement is a significant aspect of their cashflows. Aside from strategic considerations, land acquisition and construction loans costs hugely depend on interest rates. As interest rates rise, debt becomes more expensive, therefore translating to higher land purchasing and construction costs for the developer. The recent rise in interest rates make development costs much higher, and combined with a weak house price index, reduces the attractiveness of large developments and capex as it increases the risk of developments being unprofitable from unit sales alone and increases the importance on deferred management fees.

Retirement village operators can use interest rate hedging and their staged delivery to their advantage to mitigate interest rate.

Lastly, construction material costs saw huge inflation due to shocks in the materials supply chain. In 2022, the annual rate of construction inflation peaked at 10.4%, but has now dipped below the 10-year average at 2.4%.[18] Predictions suggested that the pace of construction cost growth may remain subdued in 2024. Retirement village operators must consider the rate at which they should build developments on their land bank given the predictions on the costs of construction.

Figure 1:[19]

Figure 2:[20]



16 Dementia Economic Impact Report 2020
17 NZ Herald, Bloomberg
18 *Cordell Construction Cost Index Quarter 4 Report*
19 *Cordell Construction Cost Index Quarter 4 Report*. Note: CCCI is calculated based on 200m2 concrete slab, brick veneer, concrete tile roof house
20 *Reserve Bank of New Zealand Monetary Policy Statement November 2023*. Notes: MPS is defined as the Marginal Propensity to Save. OCR is defined as the Official Cash Rate, and is set by the Reserve Bank of New Zealand. The OCR sets the interest rates on the deposits and loans that registered banks have with us, and therefore changes in the OCR will have correlating flow-on effects to interest rates.

Industry Information

Options in Retirement Villages and Aged Care

There are a wide range of living options in retirement units, and pricing varies depending on the home you choose to occupy, the suburb where the village is located, and the amenities it offers.

Independent living/Owner occupier:

As the term suggests, independent living refers to any type of home within a retirement village where you can live completely independently. Residents may request certain in-home support services if they wish, but these are optional extras and are not apart of the accommodation package. The benefits of independent living include being able to live life your way - opting for as much or aws little socialisation as you wish. You are also able to choose from a variety of home sizes and layouts, including villas, townhouses and apartments. Independent is typically targeted at residents aged 70+, and the average length of stay in a fully independent unit is usually around eight years. Choosing an independent living unit allows you to stay in close proximity to on-site facilities and become involved in a community where you can socialise, as opposed to living in your own home without a community of residents/activities. Additionally, these homes are commonly fitted with emergency call buttons, meaning access to care is much faster and easier.

Assisted living:

Assisted living units include in-home support such as meal preparation, housekeeping nad personal care. Most assisted living homes are apartments, but some villages offer assisted living in other types of accommodation. This option gives more day-to-day support, while still allowing flexibility in living arrangements. Your home is still your own and you can still enjoy privacy when you need it.

Care homes:

Care homes provide accommodation and care for individuals who have been assessed as unable to live independently and require assistance with daily activities and specific health or personal care needs. Commonly known as rest homes, care is provided at four different levels – rest home, hospital, dementia and psychogeriatric. Most people (84 per cent) receive either rest home or hospital care. Those who qualify for rest home care have fewer complex needs and don't require such intensive support. Those in hospital, dementia or psychogeriatric care have more complex needs and require a higher level of support.

As such, hospital and dementia care is the most limiting in terms of lifestyle freedom, and there is often restricted movement for dementia patients. Regulated by the Ministry of Health, care homes in New Zealand must adhere to specific standards and guidelines to ensure the provision of high-quality care. These facilities have trained staff members, including healthcare professionals such as registered nurses, caregivers, and support workers, who cater to the individual needs of residents.

Home care alternative:

For those who do not want to part with their property, home care is an alternative to buying into a retirement village living option, while still having access to necessary care.

The Health Authority further provides incentives towards carers which can be family members or an external carer by allowing them to be paid for taking care of those that require support. As early as the age of 16, with the ability to attend and conduct support, carers have greater incentivise to provide home care alternatives[21]. Particularly helpful for Furthermore, the increase in closure of rest homes in multiple areas in New Zealand have increased the popularity for home care alternatives.[22]

The Business Model for Retirement Villages

The business model differs depending on the living option a resident chooses.

The model of an independent living unit:

- **Entry:** Residents are typically required to pay a deposit and a capital sum for an occupation right agreement (ORA). The most common legal title under an ORA is a licence to occupy, which gives you a contractual right to live in a specific home within a village, but no legal ownership of the home itself or the land.
- **Deferred management fee:** Under a licence to occupy, it's common for the operator to retain between 20-30% of your initial capital sum; this is usually referred to as a deferred management fee. A good way to think of the deferred management fee is that it covers the long-term costs of residing at the village, such as maintenance of facilities and communal areas, and the re-licencing and refurbishment of your property after the licence ends. The deferred management fee typically accrues between the first 2-5 years of residing at the village and is deducted on the re-sale of your licence. The fee is calculated as a percentage (typically between 20-30%) of the initial capital sum and it accrues to the operator over a period of time (usually 2-5 years).
- **Weekly fees:** While residents occupy the unit, the pay an ongoing weekly fee
  - **Exit:** When a resident exits (e.g. moves to care), the operator will refurbish the unit and look to 'resell' the unit to a new resident. When the unit is resold, the operator will refund the entry payment less the DMF to the outgoing resident.

21 Tewhatu Ora Health New Zealand
22 New Zealand Hearld

Effectively, the operator realises the DMF in cash at this point in time. Given the unit will be resold a number of years after the first resident entered, the entry payment for the resident the unit is resold to is likely to have increased (unit price inflation). The capital gain or 'resale margin' is the difference between the two entry payments and is effectively net cash flow for the operator.

The business model for assisted living units:

- Assisted living units is similar to independent living, however incorporates an extra 'service package' to cater for the assistance that the residence needs, and will be over and above what is covered by weekly fees and the DMF. The average length of stay for an assisted unit is typically around 4 years.

The key operating expenses associated with living units are staff, repairs and maintenance and costs for amenities.

The business model for aged care:

- Aged care and care homes involve the extra element of providing a service to the resident, and is therefore a needs-based product. Residents will purchase an aged care plan that suits the type of treatment they need to receive.
- The average length of stay in care facility is usually around 2-3 years (longer for rest home level of care; shorter for hospital level of care) which is much shorter than that of a resident in a living unit.
- Care bed revenue is driven by occupancy as each occupied bed attracts government funding. Patients who need more urgent care attract higher rates of funding.
- To improve the revenue stream, operators often look to 'premiumise' their care offering, such as charging daily for Sky TV, a larger room, refundable accommodation deposits or care suites e.g. selling an occupation licence over a care room that includes a DMF.[23]

The key costs for aged care are the staff, given that registered nurses and healthcare assistants are needed in order to provide care.

Continuum of care

"Continuum of care" is a significant aspect of retirement villages as it means a resident can remain in the same village even if their level of care requirements increase. Villages offering care can cater to those residents who foresee varying levels of health needs. Whilst the resale margin is the biggest driver of overall operating performance, incoming residents don't want to move around to different units and would likely much prefer to be in same unit for the entirety of their stay. Thus, being able to offer certainty that they can receive the care they need, even if it changes, throughout the extent of their residency is a critical factor to the independent living value proposition. Ryman has the highest proportion of these types of villages, at 89%.[24]

Development Process

Development is an important growth driver, and because there is a long lead time on the development of a village, sometimes more than 10 years, the development pipeline is a critical component of a retirement village operator's future strategy. It begins with land acquisition and then it takes time to obtain resource consent - land must become 'consented' before a retirement village is built on it. Construction of a village is typically then staged, and typically includes a number of independent units and a care facility.

Unlike a typical residential property developer, generating a positive development margin on the first time sale of units is not usually the key objective of development. This is because:

a. independent units typically price at a discount to residential units;

b. care facilities make a significant capital loss; and

c. unlike residential developers, retirement village operators receive an ongoing resale margin and DMF. Recycling the capital invested in a development (i.e. cash margin breakeven) is usually a threshold target, with positive margin from independent units subsidising the investment required for a care facility

Construction cost inflation has been a significant headwind for the industry recently which has led to a number of negative margin projects. This is part of what led to Ryman's capital raise. Operators may choose to go ahead with a project even if it does not recycle capital - ongoing capital gains/resale margin and DMF are likely to support a positive NPV even if the upfront margin is negative

23 Note: A refundable accommodation deposit is an upfront payment which is repaid in full upon vacation, and means you do not have to pay any weekly accommodation premium fees.
24 Ryman Website

Competitors

Ryman, Metlifecare, Summerset, Bupa, Oceania, and Arvida – the "big six" are significant players in the New Zealand retirement village market. Between them they hold an estimated 48% of villages throughout the country and 65% of the country's units. Ryman has the largest average village size at 197 units per village on average, with Summerset just behind at 162 units and Metlifecare with 143.

Metlifecare: With more than 30 years of business, Metlifecare offers trusted services and a sense of belonging and community for its customers. Metlifecare prides itself on making its customers feel as though their village is "just like home" which is done through deeply personalised care and support .

Summerset: Priding themselves with a focus on providing their customers with care, Summerset creates value by extra-wide hallways, slip resistant floors and much more. Summerset provides a wide range of retirement options, involving villages, serviced villages, independent housing and cottages.

Bupa: Bupa purpose predicates its business model on helping people "live longer, healthier, happier lives and making a better world". Bupa supports local communities by reinvesting in our villages and care homes throughout New Zealand, leveraging the benefit of having no shareholders. The international network Bupa holds further allows them to provide customers with global medical expertise.

Oceania: The foundation of Oceania services are built on creating genuine human connections through human care, helping to facilitate new or old family relationships for their customers. Oceania's focus on community allows for their customers to maintain their family and friends as they have a wide coverage of villages all around New Zealand.

Arvida: From hair salon services to crocheting activities, Arvida provides a wide range of choices for their customers allowing them to "enjoy living their life with a soul". Arvida also provides retirement villas and townhouses and many more services.

'Big six' percentage share of national total by unit

Operator[1]	Number of Villages	Residents	Unit Overview	Land bank units in NZ	Geography
Metlifecare[2]	36	6900 residents	4958 independent living homes 468 assisted living units 1019 care beds and suites	2900	New Zealand only
Summerset[3]	39 completed or under development	7,600+ residents	1161 care units 5518 retirement units	1379 care units, 5985 retirement units	New Zealand and Australia
Bupa[4]	36	5000+ residents	Undisclosed	Undisclosed	International
Oceania[5]	44 existing + planned	4000	1887 retirement village units 1396 care beds 984 care suites	2500+	New Zealand only
Arvida[6]	36	6750+ residents	1541 care beds 3301 apartments 706 serviced apartments 212 care suites	2239	New Zealand only
Ryman[7]	48	14,200 residents	4540 care beds 9356 retirement-village units	6000+	New Zealand and Victoria

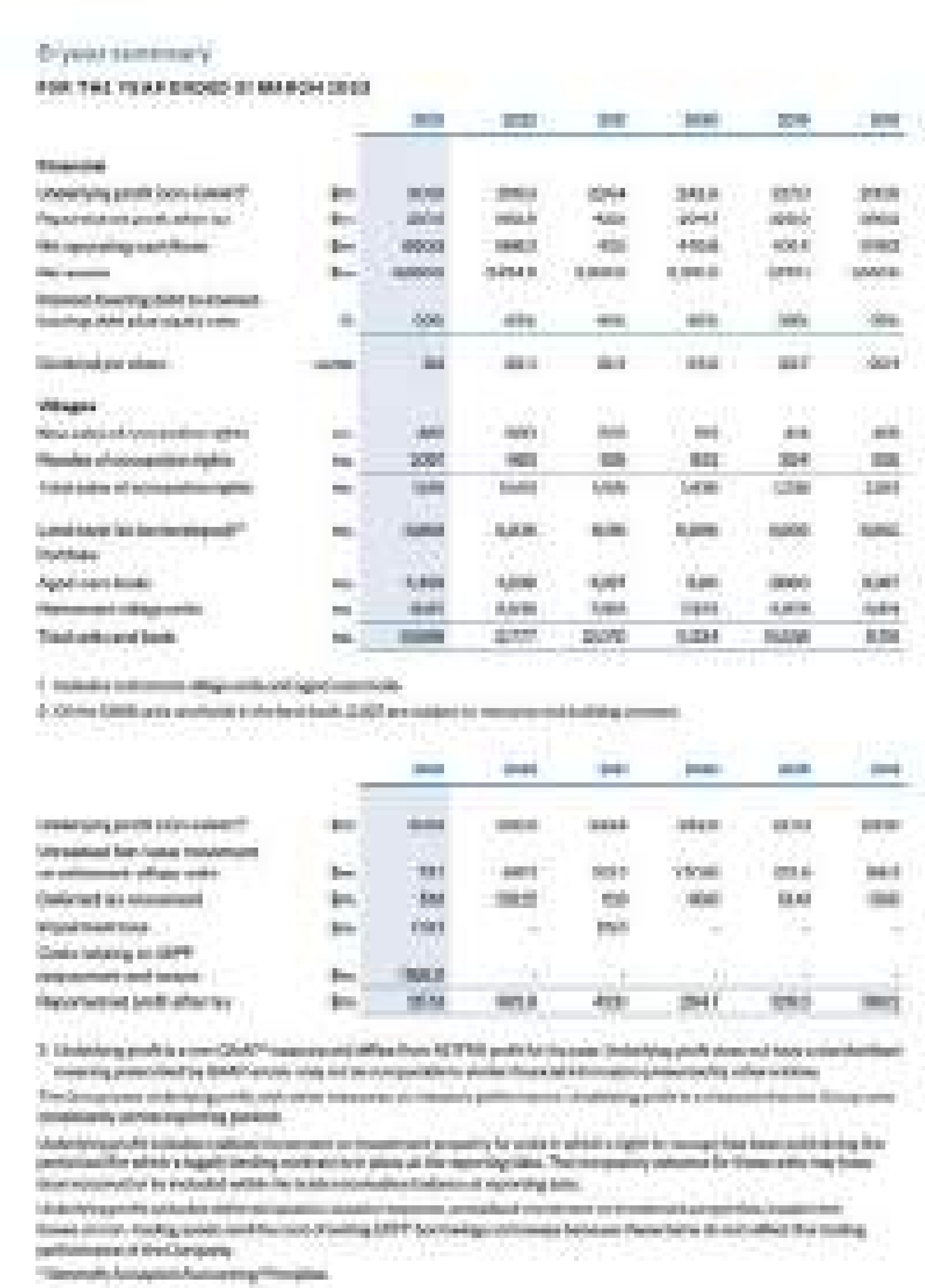
1 Operator Healthcare Website
2 Metlifecare Aged Care Website
3 Summerset Website
4 Bupa Care Services Website
5 Oceania Healthcare Website
6 Arvida Website
7 Ryman Healthcare Website

Financial Results

Helpful Metrics

- Average new sales and resale prices lifted to $905,000 and $714,000 respectively.
- Gross resale margins lifted strongly to 31.1 percent

6 Year Summary - From Annual Report



Consolidated statement of cash flows (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Net operating cash flows includes the following:

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
Net occupancy advance receipts from retirement village residents	502,738	486,369	1,058,884
Net receipts from refundable accommodation deposits	54,485	45,040	105,690
Deferred management fees collected	34,152	28,906	65,287

Reconciliation of net profit after tax with net cash flow from operating activities

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
Net profit after tax	**186,645**	**103,066**	**357,830**
Adjusted for:			
Movements in statement of financial position items			
Occupancy advances	358,014	370,458	820,700
Deferred management fees	(108,686)	(40,279)	(81,852)
Refundable accommodation deposits	64,408	48,060	102,850
Revenue in advance	19,067	7,408	15,010
Trade and other payables	3,046	1,513	4,134
Trade and other receivables	60,182	(130,726)	(46,864)
Inventory	11,267	3,879	11,682
Employee entitlements	5,448	3,779	3,061
Non-cash items:			
Depreciation and amortisation	24,223	11,308	43,226
Depreciation of right-of-use assets	1,686	1,611	3,272
Close out of employee share scheme	1,300	-	-
Impairment	15,604	10,764	11,336
Deferred tax	(43,255)	23,218	(15,640)
Unrealised foreign exchange gain	(2,380)	(22,849)	(3,458)
Adjusted for:			
Fair value movement of investment properties	(177,248)	(300,240)	(413,203)
Costs relating to USPP prepayment and swaps	-	-	68,303
Net operating cash flows	**337,107**	**243,885**	**880,820**

Notes to the consolidated interim financial statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. GENERAL INFORMATION

The consolidated interim financial statements presented are those of Ryman Healthcare Limited (the Company) and its subsidiaries (the Group). These consolidated interim financial statements were approved by the Board of Directors on 20 November 2023.

Ryman Healthcare Limited is a profit-oriented entity incorporated in New Zealand. The Group develops, owns and operates integrated retirement villages, resthomes and hospitals for the elderly within New Zealand and Australia.

Statement of compliance

Ryman Healthcare Limited is a Financial Markets Conduct reporting entity under the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Its consolidated interim financial statements comply with these Acts.

The unaudited condensed consolidated interim financial statements have been prepared in line with Generally Accepted Accounting Principles in New Zealand (NZ GAAP). The statements comply with New Zealand equivalents to International Accounting Standard 34 (NZ IAS 34) *Interim Financial Reporting* and International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*.

Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2023 and the comparative six months ended 30 September 2022 are unaudited.

These consolidated interim financial statements have been prepared under the same accounting policies and methods as the Group's Annual Report at 31 March 2023. These consolidated interim financial statements should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2023.

Functional and presentation currency

The information is presented in thousands of New Zealand dollars (NZD). Both the functional and the presentation currency of Ryman Healthcare Limited and its New Zealand subsidiaries are NZD.

The functional currency for its Australian subsidiaries is Australian dollars (AUD).

All reference to USD refers to US dollars.

Adopting new and amended standards and interpretations

In the current period, the Group adopted all mandatory new and amended standards and interpretations. None had a material impact on these interim financial statements.

Standards and interpretations on issue but not yet adopted

The Group is not aware of any New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) or interpretations that have recently been issued or amended that have not yet been adopted by the Group that would materially impact the Group for the current period ending 30 September 2023.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

2. ASSETS HELD FOR SALE AND IMPAIRMENT LOSS

Following a review of the Group's land portfolio, the land at Mt Martha (Victoria, Australia), Newtown (Wellington, New Zealand) and Kohimarama (Auckland, New Zealand) are being held for sale. These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The sale of the Mt Martha land is unconditional, and settlement will occur in late 2023. The Newtown land is being actively marketed for sale and a sale is expected to take place within 12 months. An impairment loss was recognised in respect of these properties in previous reporting periods.

An impairment loss of $15.2 million has been recognised in the current period for Kohimarama and marketing of the site is due to commence. A sale is expected within 12 months.

3. INCOME TAX

The income tax credit recognised during the period is primarily attributable to tax losses generated during the period. At 30 September 2023, total Group tax losses available in New Zealand and Australia are estimated at $1,073.5 million (30 September 2022: $680.1 million and 31 March 2023: $974.3 million) and AU$289.9 million (30 September 2022: AU$191.3 million and 31 March 2023: AU$235.0 million), respectively.

Recognition of the deferred tax asset is based on expected taxable earnings in future periods. One of the key drivers for this will be the uplift in the taxable deferred management fees as new occupation rights are entered into at higher prices within the next 13 years.

In the comparative period to 30 September 2022, the income tax expense relates primarily to an increase in the deferred tax liability recognised in respect of investment properties during that period, offset by a deferred tax credit on tax losses generated during that period.

4. INVESTMENT PROPERTIES

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
At fair value			
Balance at beginning of financial period	[illegible]	[illegible]	[illegible]
Additions including transfers from property plant and equipment	[illegible]	[illegible]	[illegible]
Realised fair value movement:			
- new retirement village units	[illegible]	[illegible]	[illegible]
- existing retirement village units	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Unrealised fair value movement	[illegible]	[illegible]	[illegible]
Fair value movement	**[illegible]**	**[illegible]**	**[illegible]**
Net foreign currency exchange differences	[illegible]	[illegible]	[illegible]
Net movement for period	[illegible]	[illegible]	[illegible]
Balance at end of financial period	**[illegible]**	**[illegible]**	**[illegible]**

The realised fair value movement arises from the sale and resale of rights to occupy to residents.

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	No. of units	No. of units	No. of units
Units included in the valuation:			
Able to be occupied at reporting date and fair value is judged as being able to be reliably measured	[illegible]	[illegible]	[illegible]
Under development at reporting date and fair value is judged as being able to be reliably measured	[illegible]	[illegible]	[illegible]
Total units included in the valuation	**[illegible]**	**[illegible]**	**[illegible]**

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

4. INVESTMENT PROPERTIES (CONTINUED)

Independent valuers' key assumptions

The valuers used a range of significant assumptions as follows:

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	%	%	%
Growth rate (nominal)	0.50–6.30	0–4.20	0–4.70
Discount rate	12.00–16.00	8.75–16.00	8.75–16.00

The land and building valuation within property, plant and equipment contains an allowance for the value provided by a care facility to the Group's independent living and serviced apartment residents. The value of this allowance is determined based on a portion of the deferred management fees paid by the Group's independent living and serviced-apartment residents. This portion of deferred management fees is excluded from the investment property value. This approach has been consistently applied between periods.

Sensitivity

A change in the independent valuers' assumptions would impact the fair-value measurement as follows:

	0.5% decrease	0.5% increase
	$000	$000
Growth rate (nominal)	(210,400)	216,080
Discount rate	146,477	(132,878)

Other inputs used in the fair-value measurement of the Group's investment property portfolio include the average age of residents and the occupancy periods. A significant increase in the average age of entry of residents or a decrease in the occupancy periods would result in a significantly higher fair-value measurement. Conversely, a significant decrease in the average age of entry of residents or increase in the occupancy periods would result in a significantly lower fair-value measurement.

4. INVESTMENT PROPERTIES (CONTINUED)

Work in progress

Investment property includes investment property work in progress of $929.0 million (six months ended 30 September 2022: $700.4 million and year ended 31 March 2023: $766.0 million), which has been valued at cost. The Directors have determined that for work in progress, cost represents fair value. No independent valuation of investment property work in progress is obtained.

Operating expenses

Direct operating expenses arising from investment property that generated income from deferred management fees during the period amounted to $29.7 million (30 September 2022: $26.1 million and year ended 31 March 2023: $53.2 million). All investment property generated income for the Group from deferred management fees, except for investment property work in progress.

Security

Residents make interest-free advances (occupancy advances) to the retirement villages in exchange for the right to occupy retirement village units. Under the terms of the New Zealand occupancy agreement, the occupancy advance is secured by a registered first mortgage granted to the Statutory Supervisor. For New Zealand occupancy advances relating to previous occupancy agreements that remain outstanding, the resident received a unit title for life and a first mortgage over the residual interest for security purposes. Residents in Victoria, Australia have the benefit of a charge over the title for the land under the Retirement Villages Act 1986.

5. SHARE CAPITAL

Issued and paid-up capital consists of [illegible] fully paid ordinary shares (30 September 2022: [illegible] and 31 March 2023: [illegible]) less treasury stock of [illegible] shares (30 September 2022: [illegible] and 31 March 2023: [illegible]). All shares rank equally in all respects.

Additional costs related to the prior year equity raise were paid in the period. As these costs are directly attributable to the issuance of shares, they have been recognised in equity.

Shares purchased on market under the leadership share scheme are treated as treasury stock until they are vested to the employees.

Basic and diluted earnings per share (EPS)

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
Profit for the year ($000)	[illegible]	[illegible]	[illegible]
Weighted average number of shares (in '000)	[illegible]	[illegible]	[illegible]
Basic and diluted EPS (cents per share)	**[illegible]**	**[illegible]**	**[illegible]**

Net tangible asset (NTA) per share

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited restated[1]	Year ended 31 March 2023 audited
NTA ($000)	[illegible]	[illegible]	[illegible]
Ordinary shares at reporting date (in '000)	[illegible]	[illegible]	[illegible]
NTA per share (cents per share)	**[illegible]**	**[illegible]**	**[illegible]**

NTA is calculated as total assets less intangible assets and deferred tax assets, and less total liabilities.

[1] The NTA figures for 30 September 2022 have been restated to exclude deferred tax assets.

6. TRADE AND OTHER RECEIVABLES

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
New sales receivables	[illegible]	[illegible]	[illegible]
Resales receivables	[illegible]	[illegible]	[illegible]
Care and village fees receivables	[illegible]	[illegible]	[illegible]
Refundable accommodation deposit receivables	[illegible]	[illegible]	[illegible]
Prepayments and other receivables	[illegible]	[illegible]	[illegible]
Total trade and other receivables	**[illegible]**	**[illegible]**	**[illegible]**

The receivable for an occupancy advance is recognised when a legally binding contract with the resident is in place and the unit is either complete or is considered to have met the threshold for inclusion in the investment property valuation (see note 4). At the same time as recognising the occupancy advance receivable the Group recognises the corresponding occupancy advance liability. Occupancy advances are cash settled by residents on occupation of a retirement village unit.

Care and village fees are received from residents (payable 4-weekly in advance) and various government agencies. Government agency payment terms vary but the fees are typically paid fortnightly in arrears for care services provided to residents.

Debtors are non-interest bearing, although the Group has the right to charge interest on overdue settlements of occupancy advances or overdue care and village fees.

7. TRADE AND OTHER PAYABLES

Trade payables are typically paid within 20 days of the invoice date or on the 20th of the month following the invoice date.

Other payables at 30 September 2023 include $[illegible] million for the purchase of land (30 September 2022: $[illegible] million and 31 March 2023: $[illegible] million).

8. INTEREST-BEARING LOANS AND BORROWINGS

At reporting date, interest-bearing loans and borrowings include secured bank loans, an institutional term loan and unsubordinated fixed rate retail bonds. The Group prepaid all outstanding United States Private Placement (USPP) notes in March 2023.

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
Bank loans	2,091,487	1,870,890	1,002,718
Institutional term loan	338,383	204,730	287,318
Retail bonds – [illegible]	150,000	150,000	150,000
USPP notes – using contracted fixed USD foreign exchange rate	-	708,644	-
	2,579,870	3,032,200	1,340,034
Foreign exchange movement of USD USPP notes	-	152,062	-
Total loans and borrowings at face value	**2,579,870**	**3,184,282**	**1,340,034**
Issue costs for the institutional term loan capitalised	(657)	(848)	(728)
Issue costs for the retail bonds capitalised	(1,908)	(2,380)	(2,138)
Issue costs for the USPP capitalised	-	(3,298)	-
Total loans and borrowings at amortised cost	**2,577,305**	**3,177,756**	**1,337,168**
Revaluation of institutional term loan debt in fair value hedge relationship	(7,924)	(10,855)	(11,248)
Revaluation of USPP debt in fair value hedge relationship	-	(142,848)	-
Total loans and borrowings	**2,469,871**	**3,025,061**	**1,320,860**

8. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Security

The bank loans, institutional term loan and retail bonds are secured by a general security agreement over the parent and subsidiary companies and supported by first mortgages over the freehold land and buildings (excluding retirement village unit titles provided as security to residents – note 5).

The subsidiary companies have all provided guarantees for the Group's secured loans as parties to the general security agreement.

Fair value

Below is a comparison of the carrying amounts and fair values of the interest-bearing loans and borrowings. The carrying amounts of bank loans are the same as their fair values in all material respects due to their interest rate profiles.

	Six months ended 30 Sept 2022 unaudited		Six months ended 30 Sept 2021 unaudited		Year ended 31 March 2022 audited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Institutional term loan	200,000	200,000	274,611	275,032	280,290	284,736
Retail bonds	148,502	133,670	147,020	131,005	147,081	131,446
USPP notes	-	-	324,860	337,341	-	-

The fair value of the fixed-rate portion of the institutional term loan has been determined at reporting date on a discounted cash flow basis and applying discount factors to the future AUD interest payment and principal payment cash flows. The fair value of the floating rate portion is assumed to be the same as its carrying amount. The fair value of the institutional term loan is categorised as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of the retail bonds is based on the price the bonds are traded at on the NZX market at the reporting date. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of the USPP notes as at 30 September 2021 was determined on a discounted cash flow basis and applying discount factors to the future USD interest payment and principal payment cash flows. The fair value of the USPP notes was categorised as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

Key statistics

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

		30 Sept 2023 6 months	30 Sept 2022 6 months	31 March 2023 12 months
Financial				
Underlying profit (non-GAAP)[5]	$m	[illegible]	[illegible]	[illegible]
Reported net profit after tax	$m	[illegible]	[illegible]	[illegible]
Free cash flow (non-GAAP)[1]	$m	[illegible]	[illegible]	[illegible]
Net assets	$m	[illegible]	[illegible]	[illegible]
Total assets	$m	[illegible]	[illegible]	[illegible]
Gearing[2]	%	[illegible]	[illegible]	[illegible]
Dividend per share	cents	[illegible]	[illegible]	[illegible]
Villages				
New sales of occupation rights	no.	[illegible]	290	402
Resales of occupation rights	no.	[illegible]	[illegible]	[illegible]
Total sales of occupation rights	no.	[illegible]	772	[illegible]
Land bank (units developed)[3,4]	no.	[illegible]	[illegible]	[illegible]
Portfolio:				
Aged-care beds	no.	[illegible]	[illegible]	[illegible]
Retirement village units	no.	[illegible]	[illegible]	[illegible]
Total units and beds	no.	[illegible]	[illegible]	[illegible]

[1] [illegible]

[2] [illegible]

[3] [illegible]

[4] [illegible]

[5] [illegible]

[illegible]

[illegible]

[illegible]

6. DERIVATIVE FINANCIAL INSTRUMENTS

At reporting date, the Group's derivative financial instruments consist of interest rate swaps, caps, floors and collars. The Group closed out its cross-currency interest rate swaps (CCIRS) in March 2023.

Fair value

These derivatives are initially recognised at fair value on the dates the derivative contract are entered into and remeasured to their fair values at each reporting date. The fair values of these derivatives are categorised as Level 2 under the fair value hierarchy in NZ IFRS 13 – *Fair Value Measurement*. The fair values of these derivative instruments are derived using inputs supplied by third parties that are observable, either directly (prices) or indirectly (derived from prices). The fair value of interest rate swaps is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract.

Modified interest rate swaps

In November 2022, the Group modified four interest rate swaps that had been designated in a cash flow hedge relationship to maximise its interest rate risk coverage and minimise its near-term interest costs. The modification resulted in a higher notional principal amount covered and a reduction in the remaining maturities of these swaps.

The modification resulted in the original hedge relationship being discontinued. Immediately prior to discontinuation, there were gains of NZ$18.6 million and AU$5.3 million (excluding tax effects) in the cash flow hedge reserve for these swaps. As the hedged cash flows are still expected to occur, these gains remain in the cash flow hedge reserve and will be reclassified to profit or loss over the original hedge period. The amounts reclassified to profit or loss during the period are NZ$1.4 million and AU$0.7 million (totalling NZ$2.2 million). At 30 September 2023, the unamortised balance in the cash flow hedge reserve for the amended swaps is NZ$14.0 million and AU$4.5 million (excluding tax effects).

As the modified interest rate swaps do not qualify for hedge accounting, the fair value loss of NZ$1.5 million on these modified swaps for the period is recognised directly in profit or loss. The swaps will mature before 31 March 2024 and it is expected that a further NZ$7.3 million will be expensed.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

10. OCCUPANCY ADVANCES (NON-INTEREST BEARING)

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
Gross occupancy advances (see below)	5,755,718	5,254,185	5,496,020
Less deferred management fees and resident loans	(739,812)	(922,630)	(971,838)
Closing balance	**5,015,906**	**4,331,555**	**4,524,182**
Movement in gross occupancy advances			
Opening balance	5,496,020	4,864,713	4,864,713
Plus net increases in occupancy advances:			
• new retirement-village units	135,389	181,061	436,322
• existing retirement-village units	114,204	130,077	234,901
Net foreign-currency exchange differences	3,364	41,120	(6,040)
Increase/(decrease) in occupancy advance balances	4,865	33,716	(33,376)
Closing balance	**5,755,718**	**5,254,185**	**5,496,020**

Gross occupancy advances are non-interest bearing and occupancy advances are not discounted. The fair value of net occupancy advances is $2,070.2 million (30 September 2022: $2,775.5 million and 31 March 2023: $2,201.0 million) using the relevant discount rate for each village.

The change in occupancy advance balances shows the net movement in occupancy advances that has resulted from:

- units that have been resold but the previous residents have yet to be repaid
- units that have been repaid but remain unsold at balance date.

11. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenue

The Ryman Group operates in one industry, being the provision of integrated retirement villages for older people in New Zealand and Australia. The service-provision process for each of the villages is similar, and the classes of customer, methods of distribution and regulatory environment are consistent across all the villages.

Geographical information

In presenting information based on geographical areas, net profit, underlying profit and revenue are based on the geographical locations of operations, while assets are based on the geographical locations of the assets.

11. SEGMENT INFORMATION (CONTINUED)

	New Zealand	Australia	Group
	$000	$000	$000
Six months ended 30 Sept 2023 unaudited			
Revenue	270,417	52,046	322,463
Underlying profit (non-GAAP)	155,881	11,096	166,977
Unrealised fair value movement	(3,866)	30,491	27,105
Deferred tax credit	28,027	14,223	42,250
Impairment loss	(16,856)	-	(16,856)
Costs relating to swap amendments	(4,227)	3,046	(1,173)
Close out of employee share schemes[1]	(2,000)	-	(2,000)
Profit for the period	130,822	60,224	196,085
Non-current assets	9,899,923	2,287,209	12,382,113
Year ended 31 March 2023 audited			
Revenue	494,478	78,371	572,877
Underlying profit (non-GAAP)	232,222	69,670	301,892
Unrealised fair value movement	30,233	43,426	73,659
Deferred tax credit	31,261	20,379	51,640
Impairment loss	(1,580)	(13,769)	(15,349)
Costs relating to USPP prepayment and swap amendments	(150,090)	(2,203)	(158,293)
Profit for the period	127,378	100,482	297,898
Non-current assets	8,332,731	3,370,879	11,703,610
Six months ended 30 Sept 2022 unaudited			
Revenue	240,894	33,345	274,239
Underlying profit (non-GAAP)	71,803	37,123	158,926
Unrealised fair value movement	40,094	59,896	99,990
Deferred tax (expense)/credit	(30,609)	6,265	(23,318)
Impairment loss	-	(10,784)	(10,784)
Profit for the period	100,898	65,248	166,646
Non-current assets	6,887,153	3,290,075	11,177,228

Underlying profit is a non-GAAP (Generally Accepted Accounting Principles) 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.

[1] Relates to all employee share scheme.

11. SEGMENT INFORMATION (CONTINUED)

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 includes realised movements on investment property for units in which a right-to-occupy has been sold during the period and for which a legally binding contract is in place at the reporting date. The occupancy advance for these units may have been received or been included within the trade receivables balance at reporting date.

Underlying profit excludes deferred taxation, taxation expense, unrealised movement on investment properties, impairment losses on non-trading assets, costs relating to the close out of employee share schemes and the cost of exiting USPP borrowings and swap amendments.

12. COMMITMENTS

Capital expenditure commitments

The Group had commitments relating to construction contracts amounting to $[illegible] million at 30 September 2023 (30 September 2022: $314.7 million and 31 March 2023: $286.7 million).

The Group has an ongoing commitment to maintain the land and buildings of the integrated retirement villages, rest homes and hospitals.

13. CONTINGENT LIABILITIES

The Group has identified that past and present New Zealand employees may have received incorrect payments dating back to 2010 due to the complexity of the Holidays Act 2003 and the nature of our dynamic workforce. The issues relate to entitlements under the Holidays Act, and how a range of allowances and entitlements have been interpreted and calculated. External consultants are working with the Group to quantify the value and employees affected, which could be as many as 20,000 employees. A sufficiently reliable estimate cannot be made at reporting date, however it is not expected to exceed $25.0 million. A provision of $5.0 million has been recorded within employee entitlements and remains unchanged from 31 March 2023. It is expected that work will be sufficiently progressed at 31 March 2024 to quantify the value and recognise the full provision.

14. SUBSEQUENT EVENTS

The previously announced review of the Leadership Share Scheme has been completed.

On 3 November 2023 an offer was made to certain participating employees in respect of the Leadership Share Scheme. The offer included one-off payments as well as confirmation that no further invitations to participate in the Leadership Share Scheme would be made to these participants. The offer closed on 23 November 2023.

The financial effect of the offer is being quantified and will be recorded in the 31 March 2024 financial statements. It is estimated that the cost range between $6.0 million to $10.0 million.

Existing employee advances in relation to the scheme remain owing under the full recourse nature of the loan.

Key statistics

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

		30 Sept 2023 6 months	30 Sept 2022 6 months	31 March 2023 12 months
Underlying profit (non-GAAP)	$m	136.2	138.9	303.9
Unrealised fair value movement on retirement village units	$m	27.3	(36.4)	71.7
Deferred tax movement	$m	40.2	223.8	18.8
Impairment loss	$m	(95.8)	(113.8)	(111.9)
Close-out of employee share schemes	$m	(0.0)	-	-
Costs relating to USPP prepayment and swap amendments	$m	(5.3)	-	(158.3)
Reported net profit after tax	$m	100.7	194.7	217.8

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Notes	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
		$000	$000	$000
Care and village fees		240,214	210,187	427,341
Deferred management fees (DMF)		47,867	58,758	112,398
Interest received		1,574	904	2,140
Other income		6,017	3,842	8,737
Total revenue		**302,802**	**274,239**	**570,077**
Fair value movement of investment properties	4	177,246	391,346	409,000
Total income		**480,008**	**606,508**	**1,002,400**
Operating expenses		(262,856)	(255,148)	(500,279)
Depreciation and amortisation expenses		(20,866)	(22,096)	(45,587)
Finance costs		(31,700)	(10,865)	(106,274)
Impairment loss	2	(95,816)	(30,784)	(113,034)
Total expenses		**(364,588)**	**(319,393)**	**(756,294)**
Profit before income tax		**143,438**	**377,302**	**296,196**
Income tax credit/(expense)	3	40,252	(223,293)	21,640
Profit for the period		**186,688**	**193,093**	**217,836**
Earnings per share (cents per share)				
Basic and diluted	6	27.7	30.8	38.8

Consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	£000	£000	£000
Profit for the period	**186,693**	**193,868**	**287,836**
Items that will not be later reclassified to profit or loss			
Revaluation of property, plant and equipment (unrealised)	–	–	150,773
	–	–	154,773
Items that may be later reclassified to profit or loss			
Fair value movement and reclassification of cash flow hedge reserve	17,036	58,080	20,470
Deferred tax movement recognised in cash flow hedge reserve	(4,868)	(16,668)	(6,006)
Movement in cost of hedging reserve	–	(224)	(1,564)
Reclassification adjustment to income statement	–	–	(3,518)
Deferred tax movement in cost of hedging reserve	–	66	1,420
(Loss)/Gain on hedge of foreign-owned subsidiary net assets	(367)	(4,255)	870
Gain/(Loss) on translation of foreign operations	1,898	25,630	(6,306)
	13,738	64,236	4,376
Other comprehensive income	**13,738**	**64,236**	**155,149**
Total comprehensive income	**200,431**	**258,104**	**438,785**

Consolidated statement of changes in equity (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Foreign currency translation reserve	Treasury stock	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Six months ended 30 Sept 2022 unaudited								
Opening balance	**33,200**	**453,668**	**15,481**	**3,682**	**600**	**(38,179)**	**2,896,203**	**3,404,820**
Profit for the period	–	–	–	–	–	–	193,868	193,868
Other comprehensive income for the period	–	–	42,480	(906)	21,217	–	–	64,236
Total comprehensive income for the period	–	–	42,480	(906)	21,217	–	193,868	258,104
Treasury stock movement	–	–	–	–	–	3,448	–	3,448
Dividends paid to shareholders	–	–	–	–	–	–	(85,000)	(85,000)
Balance at 30 September 2022	**33,200**	**453,668**	**58,460**	**3,494**	**21,817**	**(34,731)**	**3,092,178**	**3,628,066**

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Foreign currency translation reserve	Treasury stock	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000	$000	$000
Six months ended 30 Sept 2023 unaudited								
Opening balance	**863,238**	**610,341**	**30,866**	**1**	**(7,338)**	**(34,726)**	**3,171,227**	**4,633,607**
Profit for the period	–	–	–	–	–	–	186,685	186,685
Other comprehensive income for the period	–	–	12,056	–	1,682	–	–	13,738
Total comprehensive income for the period	–	–	12,050	–	1,382	–	186,685	200,423
Issue of ordinary shares – equity raise (subsequent costs)	(1,322)	–	–	–	–	–	–	(1,322)
Treasury stock movement	–	–	–	–	–	(3)	–	(3)
Dividends paid to shareholders	–	–	–	–	–	–	–	–
Balance at 30 September 2023	**862,897**	**610,341**	**42,911**	**–**	**(5,584)**	**(34,729)**	**3,357,912**	**4,833,867**
Year ended 31 March 2023 audited								
Opening balance	**23,295**	**453,568**	**15,401**	**3,852**	**500**	**(38,174)**	**3,046,183**	**3,434,020**
Profit for the period	–	–	–	–	–	–	257,606	257,606
Other comprehensive income for the period	–	156,773	15,464	(3,852)	(7,838)	–	–	160,548
Total comprehensive income for the period	–	156,773	15,464	(3,852)	(7,838)	–	257,606	418,155
Issue of ordinary shares – dividend reinvestment plan	43,611	–	–	–	–	–	–	43,611
Issue of ordinary shares – equity raise	870,338	–	–	–	–	–	–	870,338
Treasury stock movement	–	–	–	–	–	3,448	–	3,448
Loss on treasury shares	–	–	–	–	–	–	(802)	(802)
Dividends paid to shareholders	–	–	–	–	–	–	(132,000)	(132,000)
Balance at 31 March 2023	**863,238**	**610,341**	**30,866**	**1**	**(7,338)**	**(34,726)**	**3,171,227**	**4,633,607**

Consolidated statement of financial position

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Notes	30 Sept 2023 unaudited	30 Sept 2022 unaudited	31 March 2023 audited
		$000	$000	$000
Assets				
Cash and cash equivalents		30,395	25,974	27,579
Trade and other receivables	6	671,088	706,864	719,121
Inventory		8,550	23,025	14,082
Advances to employees		12,949	18,852	14,217
Derivative financial instruments	9	46,158	106,271	26,474
Assets held for sale	3	70,718	-	31,379
Property, plant and equipment		2,207,793	2,228,804	2,206,488
Investment properties	4	9,650,046	8,737,010	9,022,902
Intangible assets		86,710	110,260	84,832
Deferred tax asset		77,038	44,916	50,774
Total assets		**13,065,172**	**12,033,338**	**12,510,824**
Equity				
Issued capital	5	950,897	33,799	953,209
Reserves		615,058	500,600	526,431
Retained earnings		3,297,932	3,092,179	3,111,237
Total equity		**4,863,887**	**3,626,069**	**4,863,887**
Liabilities				
Trade and other payables	7	190,084	248,473	208,784
Employee entitlements		55,254	43,891	49,773
Revenue in advance		169,857	98,099	96,271
Refundable accommodation deposits		304,163	351,906	305,044
Derivative financial instruments	9	7,190	9,524	5,995
Interest-bearing loans and borrowings	8	2,499,377	3,065,951	2,300,850
Occupancy advances (non-interest bearing)	10	5,085,900	4,833,050	4,826,082
Lease liabilities		16,373	15,800	13,787
Deferred tax liability		–	30,633	14,070
Total liabilities		**8,201,295**	**8,405,279**	**7,646,727**
Total equity and liabilities		**13,065,172**	**12,033,309**	**12,510,824**
Net tangible assets (cents per share) [1] 30 Sept 2022 restated	5	665.8	704.8	658.1

Consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended 30 Sept 2023 unaudited	Six months ended 30 Sept 2022 unaudited	Year ended 31 March 2023 audited
	$000	$000	$000
Operating activities			
Receipts from residents	808,002	714,728	1,502,518
Interest received	1,912	180	2,914
Payments to suppliers and employees	(226,720)	(202,411)	(409,649)
Payments to residents	(220,870)	(201,626)	(407,379)
Interest paid	(21,304)	(17,077)	(45,809)
Net operating cash flows	**337,917**	**343,681**	**650,039**
Investing activities			
Purchase of property, plant and equipment	(121,278)	(116,202)	(304,003)
Purchase of intangible assets	(8,479)	(12,387)	(20,630)
Purchase of investment properties	(303,071)	(395,024)	(606,794)
Capitalised interest paid	(63,218)	(41,588)	(120,095)
Advances to employees	[illegible]	203	1,189
Net investing cash flows	**(496,283)**	**(563,601)**	**(1,028,880)**
Financing activities			
Proceeds from equity raise (net)	(350)	-	976,008
Drawdown of bank loans (net)	166,000	70,440	148,074
Proceeds from issue of US Private Placement notes	-	230,149	230,149
Repayment of US Private Placement notes	-	-	(148,004)
Repayment of cross currency interest rate swaps	-	-	(105,595)
Dividends paid and dividend reinvestment plan costs	-	(69,000)	(69,080)
Sale of treasury stock (net)	-	3,548	3,943
Repayment of lease liabilities	(1,868)	(1,973)	(3,086)
Net financing cash flows	**163,782**	**204,459**	**380,441**
Net increase/(decrease) in cash and cash equivalents	**5,416**	**(2,435)**	**(400)**
Cash and cash equivalents at the beginning of the period	27,879	28,309	28,309
Cash and cash equivalents at the end of the period	**33,295**	**25,874**	**27,879**

Selected Media Articles

Source: NZ Herald

Ryman Healthcare is selling or pausing work on five sites

By Anne Gibson

29 Nov, 2023 12:06 PM 4 mins to read

New Zealand's largest listed retirement company cited the "challenging" housing market in declaring net profit down 4 per cent and downgrading its profit outlook but its boss provided more details of the five sites up for sale or where it is "pausing" work.

Ryman Healthcare's reported net profit after tax fell 4 per cent from $193 million a year ago to $186.7m for the six months to September 30.

The company reported a $139m underlying profit, up slightly on the $138m it made at this time a year ago.

Total revenue rose from $274m to $322m.

Ryman has five sites where it has stopped work after it already began, or it is quitting the land.

Chief executive Richard Umbers said Ryman was "pausing" development at Takapuna.

"At the moment, we've done ground works at the site. It's ready to build when we're ready," he said of the ex-fire station site at Lake Pupuke.

In Melbourne, the development of a new village at Ringwood East has also been paused: "It's a reasonably dense development and we have other opportunities. We've only basement work there which is below-ground construction. We haven't commenced construction."

Expansion of the existing Murray Halberg village in Auckland's Lynfield had also been paused: "It's a very successful village. We build in a series of stages. We're pausing stages five, six and seven which were to be mainly apartments.

"It's a very large, complete village but we have available land to carry on building and that's still available but stages are being paused because we have better use for our capital elsewhere. That money is now being used for some of the other 14 developments."

Land was being sold in Kohimarama after the company abandoned controversial $150m plans opposed by people in the area.

"That was quite an expensive site for us to develop because it's in a gully. It's also quite a tight site so in terms of the return, it makes no sense for us to progress that site. It doesn't meet our hurdles any more".

Land at Newtown in Wellington was also for sale: "It's a very capital-intensive site," Umbers said.

The Auckland and Wellington land incurred high holding costs.

"We've held both these pieces of land for a considerable period of time. It was a land bank when money was quite cheap. As interest rates rose, the holding costs for us became significantly greater. We're holding less land and not holding sites that we could use money from to do developments."

The Newtown land was not ideal from a Ryman point of view which sought more open-plan developments, away from intensive developments.

"We're not drastically slashing our build programme. The build rate has come down but we're reallocating capital towards locations where we get a better return," he said citing sites in Christchurch, Cambridge and Melbourne.

These projects were more heavily skewed towards townhouse developments rather than higher rise, he said.

But when house prices drop, people are more reluctant to sell and buy into a retirement village, so Ryman felt the pinch during the last half-year.

It sold fewer places.

"The real estate market has been through a challenging period and the retirement sector has not been immune from this. This was relative to a buoyant first half last year and has resulted in booked sales of occupational rights agreements of 699, down 9.5 per cent on the prior corresponding period," the company said.

Umbers said the result was delivered during tough market conditions, including a subdued housing market for the majority of the period.

"While our financial results are steady on the prior year, we continue to make progress on resetting the business and executing the strategy which was communicated at the time of the equity raise," he said, referring to the $902m capital raise.

Village occupancy is up 2 per cent to 96 per cent and is back to pre-Covid levels.

Net interest-bearing debt stands at $2.47b, up from $2.3b in March. Gearing of 33.6 per cent sits within the company's medium-term target of 30-35 per cent.

On the outlook, the company said underlying profit for the full year was now expected to be in the range of $300m-$330m, when it was previously forecast to be $310m-$330m.

"This wider range reflects the ongoing levels of market uncertainty and dependency on sales in the new year," the company said.

Shareholders will get no interim dividend for the first half of the 2024 financial year.

Shares are trading down 16 per cent annually near $5.30, giving a market capitalisation of $3.6b.

Anne Gibson has been the Herald's property editor for 23 years, has won many awards, written books and covered property extensively here and overseas.

Source: NZ Herald

PREMIUM

Ryman Healthcare shareholder returns 'unsatisfactory', AGM hears

By Anne Gibson

27 Jul, 2023 11:20 AM 7 mins to read

Shareholders in New Zealand's largest listed retirement business heard how their company's returns had been unsatisfactory lately but also how the business was working hard to recover people's faith.

Claire Higgins, Ryman Healthcare interim chairperson, opened today's AGM by saying shareholder returns were unsatisfactory. She cited the company's $902m equity raise and suspension of dividends, saying this had affected shareholders.

She said whether shareholders get dividends in the 2024 year was being considered.

"The board and management team are working closely together to reposition the business for improved performance, both in the near and longer term. Importantly, we have continued to deliver great care to our residents and build trust in our brand. And we continue to be true to our purpose.

"Having said that, we recognise that our shareholder returns have been unsatisfactory. In addition, the equity raise earlier this year, and the suspension of dividends, were significant decisions that have impacted shareholders. We recognise this and are working hard to rebuild your faith," she said.

Covid and its effects on costs, supply and labour constraints and particularly construction cost inflation, together with the effects of interest rate rises and a flat real estate market tested this resilience. Ultimately the best decision for the business was to raise equity in February of this year, she said.

Richard Umbers, group chief executive, said three areas being focussed on were lower-density townhouse-style developments, reducing the number of hospital beds in new developments and more premium care offerings.

"We are looking closely at how we measure our success. Underlying profit has been too prominent in driving some of our decisions," Umbers said.

Chief financial officer David Bennett had been appointed chief strategy officer but remained CFO while a replacement was found. A new appointment will be announced on the CFO position soon, Umbers said.

Severe weather events, a sub-economic environment and the tail of Covid all impacted Ryman, Umbers said.

In 2023, the company had invested more than $1b in its portfolio and he forecast positive free cash flow by 2025.

He sounded more cautious than in previous years, saying the business would continue to evaluate all sites before construction started. The capital raise had enabled the repayment of debt and allowed the company to focus on its strategy, Umbers said.

Asked during question time about debt levels and cash flow, Higgins said developments took a long time to complete and the company had seen debt rising but not foreseen the impacts of Covid and its effects. Complexities of some sites meant costs to build were more than expected "so it was a fine balance between our promise to the residents and the cost we saw". The company "would have gone harder" and halted some builds if it could have, she said. "We did see it but didn't react as fast in hindsight as I wish we did."

Asked about challenges the company faced, Higgins cited economic uncertainty and the possibility of further interest rate rises. The real estate industry remained uncertain, despite some signs of recovery in Victoria. Construction costs had started to "come off", she said.

In response to a shareholder's question, Higgins said the business was committed to improving its disclosure regime and "there were improvements to make". A second shareholder asked why it had taken so long to resolve disclosure issues.

Higgins said she would finish as interim chair on Monday when Dean Hamilton would take over. He is the chairman of Fulton Hogan and is on Auckland International Airport and The Warehouse Group boards.

"It's been a pretty busy year with the capital raise and we're been talking about doing further work on disclosures. Rather than picking off one or two disclosure issues, we've been collecting disclosures people would like to see us do differently and we're on a journey in that regard," Higgins said.

Shareholders could have trust in the level of disclosure made, given that auditors signed off accounts.

On when the dividends would be reconsidered, Higgins said an update would come in November with the interim result.

Asked about the cost of construction, director Anthony Leighs said he didn't have specific numbers to compare costs with state agency Kāinga Ora, but construction spending was controlled by good systems operated by the business.

On a question about rising interest rates, Umbers noted differences between here and Australia. A regional leadership structure adopted by Ryman split control "specifically to be able to respond to market conditions".

Asked about more solar panels in villages, Umbers said many already used solar energy. A number of climate initiatives were planned "and we are very keen to progress in this direction".

Asked why Ryman had not adequately prepared for the housing downturn, Higgins said the business had embarked on a big growth plan in Australia and Auckland but some sites were more complex than anticipated. "There was some tension around the balance sheet and we were working on plans with management or remediate that." But Covid and construction costs and mortgage interest rate rises hit, "we didn't get ahead of that as quickly as we hoped but on the go-forward, we're adopting a far more conservative position to the balance sheet," she said.

On a question about the US private placement debt, Higgins acknowledged that had been a very expensive move for the business. Circumstances "required us to unwind that debt", she said. Decisions on debt were taken by the board, not a single person, she emphasised.

The latest annual report out last month said the business had 38 villages in New Zealand and seven in Australia.

It employs 7200 people, accommodates 13,900 residents, has 4456 care or hospital beds, 9142 retirement village units, 14 sites where building work is under construction and a further 11 sites Ryman can build on in the future from its land bank.

The company is shifting to lower-density development. That means more townhouse-style villages than higher rise, it said.

"Despite uncertainty in the wider residential property market, particularly in Auckland in the latter half of the year, we saw continued healthy demand for what we offer. Booked sales of occupation-right agreements were stable at 1519 sales in FY23, broadly in line with FY22," Ryman's annual report said.

By March this year, Ryman only had 2.1 per cent of total units available for re-sale.

"At year-end, there were 14 villages under construction, a reduction of two on the prior year. Progress has been made on a number of village main buildings that were delayed due to Covid-19. We invested $1.04 billion in portfolio development and finished the year with net operating cash flows of $650.8 million," the company said.

A site in Taupō was added to the land bank but Ryman sold its Mt Martha site in Victoria with settlement due later in 2023. It is also selling a Newton site in Wellington.

"Significantly, we received planning approvals for four sites in FY23: Karori and Rolleston in New Zealand and Mulgrave and Mt Eliza in Victoria."

On its 2024 financial year, the company said guidance remained in line with that given in its equity raise outlook statement.

Underlying profit for the 2024 year is expected to be in the range of $310m to $330m.

"Our portfolio is expected to grow by 750 to 800 retirement village units and aged-care beds, with a similar proportion of care beds to FY23. Net investing cash flows are estimated to be in the range of $800m to$1b," the report said.

The board has determined that no final dividend would be paid in the 2023 financial year.

Resumption of dividends in FY24 will be considered depending on trading performance, cash flow and market conditions, Ryman's annual report said.

Shares are trading on the NZX today at around $6.82, down 18 per cent annually, giving a market cap of $4.6b.

Anne Gibson has been the Herald's property editor for 23 years, has won many awards, written books and covered property extensively here and overseas.

Source: Australian Financial Review

Companies Street Talk

Street Talk

Mac, UBS underwrite $NZ902m recap for Kiwi Ryman Healthcare

Anthony Macdonald, Sarah Thompson and Kanika Sood

Feb 15, 2023 – 7.59am

New Zealand's Ryman Healthcare is out with the biggest equity raising in the region this year - a $NZ902 million ($824) million recapitalisation to repay its US private placement debt.

Investment banks Macquarie and UBS have underwritten the retirement living group's deal, which was structured as a one-for-2.81 pro rata entitlement offer at a 17.1 per cent discount to TERP.

Street Talk. **Rob Homer**

The deal was at $NZ5 a share.

The term sheet said all proceeds (net of costs) would be used to reset Ryman's capital structure to ensure it has sufficient funds to fuel its growth pipeline and repay all of its USPP notes.

Gearing would drop from 45.3 per cent to 33.9 per cent, it said.
The brokers were calling for institutional acceptances by Thursday.

The recap wasn't a surprise, according to Forsyth Barr analysts, who said it was a comprehensive re-set of the capital structure.

"We believe that this raise and the associated commentary is hitting on all the key markers; fixing the balance sheet, removing the USPP debt (the most 'at risk' part of the capital structure), and, most importantly, targeting being FCF positive by 2025, the most important announcement in the release," the analysts told clients on Wednesday morning.

"Becoming FCF positive does not come without some painful decisions, including pausing/slowing six villages in Auckland and Christchurch, sharply pivoting away from high rise development and with it a relatively sharp slowdown in deliveries over FY24/FY25."

Anthony Macdonald is a Chanticleer columnist. He is a former Street Talk co-editor and has 10 years' experience as a business journalist and worked at PwC, auditing and advising financial services companies. *Connect with Anthony on Twitter. Email Anthony at a.macdonald@afr.com*

Sarah Thompson has co-edited Street Talk since 2009, specialising in private equity, investment banking, M&A and equity capital markets stories. Prior to that, she spent 10 years in London as a markets and M&A reporter at Bloomberg and Dow Jones. *Email Sarah at sarah.thompson@afr.com*

Kanika Sood is a journalist based in Sydney who writes for the Street Talk column. *Email Kanika at kanika.sood@afr.com.au*

Source: Ryman Website -
[Ryman reports a steady result for six months to 30 September 2023]

Investor news

RYMAN REPORTS A STEADY RESULT FOR SIX MONTHS TO 30 SEPTEMBER 2023

Feedback

Back to Investor news

Written by Ryman Healthcare
on December 04, 2023

MEDIA RELEASE, 29 November, 2023

Key financials:

- Unaudited reported (IFRS) profit of $186.7 million, down 3.8% on the same perio[illegible] year

- Negative free cash flow of $158.4 million, an improvement of $138.5 million on the same period last year
- Unaudited underlying profit of $139.2 million, up 0.3% on the same period last year
- Operating EBITDA of $146.3 million, up 7.8% on the same period last year
- Total assets up 4.6% to $13.09 billion
- Net interest-bearing debt of $2.47 billion - gearing of 33.6% within medium-term target of 30-35%
- No interim dividend declared

Ryman Healthcare (Ryman) has reported IFRS profit of $186.7 million, which includes fair value movements of investment properties, down 3.8% on the same period last year. Underlying profit of $139.2 million was up 0.3%, driven by solid growth in operating EBITDA, offset by lower new sales at sites under development.

Feedback

The real estate market has been through a challenging period and the retirement sector has not been immune from this. This was relative to a buoyant first half last year and has resulted in booked sales of occupational rights agreements (ORAs) of 699, down 9.5% on the prior corresponding period.

Ryman continues to make progress on the strategy reset outlined at the equity raise. Reflecting an increased focus on cash flow and capital management, free cash flow improved by $138.5 million from -$296.9 million in 1H23 to -$158.4 million in 1H24. This was driven by improved cash flows from existing operations and a reduction in the net spend on development activity.

Cash receipts from residents were up a pleasing 21.6% to $868.9 million driven by strong settled sales of ORAs off the back of move-in activity during the half. This was a key driver of the improvement in free cash flow from existing operations and a reduction in receivables.

Ryman Group Chief Executive Officer, Richard Umbers said, "This result has been delivered during a period of challenging market conditions including a subdued housing market for the majority of the period. While our financial results are steady on the prior year, we continue to make progress on resetting the business and executing the strategy which was communicated at the time of the equity raise."

Development update

"Following the raise, Ryman is in a reset phase with our near-term focus on matching our build programme to sales activity and reprioritising this programme to improve cash flow from development activity," said Mr Umbers.

A significant level of development is underway with 14 sites in the construction phase, including Mulgrave which recently commenced. Ryman opened three new villages in 1H24, welcoming its first residents into Northwood (Christchurch), and Patrick Hogan (Cambridge) in New Zealand and Bert Newton (Highett) in Australia.

Feedback

He added: "As part of the reprioritisation, Ringwood East, Takapuna and future stages at Murray Halberg have been put on hold. In addition, Kohimarama and Newtown are being held for sale as they no longer meet our investment criteria."

Ryman will continue to review its land bank in light of predicted market conditions and with a focus on capital management. A portfolio increase of 650-750 units and beds is anticipated for FY24, down on previous guidance. The medium-term outlook for the build programme will be reviewed at the full-year result.

Village operations

Occupancy within care centres has improved to 96%, up 2 percentage points on the same period last year, and back to pre-COVID levels.

Ryman continues to lead the sector in care quality with 85% of its New Zealand care centres receiving the 4-year Ministry of Health certification (highest certification), the highest amongst all of the large providers. Ryman recently received first-time 3-year certification (highest certification) for all of its Australian care centres audited by the Australian Aged Care Quality and Safety Commission.

Ryman continues to innovate and improve its care services, with significant growth across its homecare offering in Australia. Residents receiving funded home care packages increased by 45% to 192 in the period.

Capital management

Net interest-bearing debt at September 2023 was $2.47 billion, up from $2.30 billion at March 2023. Gearing of 33.6% sits within the company's medium-term target of 30-35%.

The refinance of Ryman's banking facilities in September increased the average tenor across all debt facilities from 2.6 to 3.6 years and amended the ICR covenant. Ryman was compliant with all debt covenants at 30 September. Facility headroom, including cash, stood at $533.9 million at September 2023.

Feedback

No interim dividend has been declared for 1H24.

Chair Dean Hamilton commented, "The board has determined that it is in the best interests of the company to suspend dividends as the business goes through a reset; working to improve operating cash flows, completing delayed capital-intensive main buildings, maintaining prudent financial headroom and determining a cadence and financial envelope for future build rates. The current intention is to undertake a review of the dividend policy at FY26. Any future dividend policy is expected to be based on cash flow."

"The financial focus of the board is to strengthen cash flow outcomes from existing operations and deliver value-accretive new developments. We remain positive about the longer-term demographic trends supporting the sector and believe Ryman is in a strong position to capitalise on the opportunity that this presents."

Board and management changes

Ryman continues to refresh leadership in both board and key management roles. Rob Woodgate has now commenced in his role as Group CFO.

"As previously announced, we are delighted that Kate Munnings has joined the board. Kate brings extensive commercial healthcare experience from her senior roles at Virtus and Ramsay as well as construction and property management experience from prior roles. With two directors retiring in calendar year 2024, we are underway with determining the right mix of skills and experiences that will contribute to the future of Ryman. Including the recent addition of James Miller and myself, there will have been significant board renewal over a 2-year period," Mr Hamilton said.

Feedback

Outlook

FY24 underlying profit is expected to be in the range of $300-$330 million (previously $310-$330 million). This wider range reflects the ongoing levels of market uncertainty and dependency on sales in the new year.

Fourteen villages in the construction phase

New Zealand (9)

Lynfield, Auckland (Murray Halberg) [future stages paused]
Devonport, Auckland (William Sanders)
Henderson, Auckland (Miriam Corban)
Havelock North, Hawkes Bay (James Wattie)
Hobsonville, Auckland (Keith Park)
Riccarton Park, Christchurch (Kevin Hickman)
Cambridge, Waikato (Patrick Hogan)
Northwood, Christchurch
Takapuna, Auckland [paused]

Australia (5)

Brandon Park, Melbourne (Nellie Melba)
Ocean Grove, Victoria (Deborah Cheetham)
Highett, Melbourne (Bert Newton)
Ringwood East, Melbourne [paused]
Mulgrave, Melbourne

Nine sites in the land bank

New Zealand (5)

Park Terrace, Christchurch
Karori, Wellington
Karaka, Auckland
Rolleston, Canterbury
Taupō, Waikato

Feedback

Australia (4)

Mt Eliza, Victoria
Essendon, Melbourne
Coburg North, Melbourne
Kealba, Melbourne

About Ryman: Ryman Healthcare was founded in Christchurch in 1984 and owns and operates 48 retirement villages in New Zealand and Australia. Ryman villages are home to 14,200 residents, and the company employs 7,600 staff.

Contacts: For investor relations information contact Hayden Strickett, Head of Investor Relations, on 027 303 1132 (+64 27 303 1132) or email hayden.strickett@rymanhealthcare.com.

For media information or images contact Silke Marsh, Group Corporate Affairs Manager, on 027 294 3609 (+64 27 294 3609) or email

Appendices

Key Management Personnel[25]

THE SENIOR EXECUTIVE TEAM

Richard Umbers

GROUP CHIEF EXECUTIVE OFFICER

Richard joined Ryman in 2021. He is an internationally experienced CEO with a background in leading large businesses. Richard was previously Divisional Director of Buying at Kaufland in Germany and CEO and Managing Director of Myer Australia. He also held senior roles at Woolworths in Australia and was Managing Director of Progressive Enterprises in New Zealand.

Rob Woodgate

GROUP CHIEF FINANCIAL OFFICER

Rob Woodgate joined Ryman in November 2023. He is an accomplished senior finance leader with international experience across a range of industries. Rob was previously Group CFO at Trans-Tasman construction and infrastructure provider Fulton Hogan where he led the finance, treasury, risk, IT and shared service functions for the Group. He has also held roles across NZX-listed entities, co-operatives and private companies, including PGG Wrightson Limited and Silver Fern Farms Limited.

Deborah Harris

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Deborah joined Ryman in 2022. She began her career as a lawyer in New Zealand and has held senior executive roles with global organisations in New Zealand, the United Kingdom, Hong Kong, India and Australia. Deborah joined Ryman from Synlait Milk Limited, where she was Director of Legal, Risk and Governance.

Cheyne Chalmers

CHIEF EXECUTIVE OFFICER – NEW ZEALAND

Cheyne joined Ryman in 2020 as Chief Operations Officer and was appointed Chief Executive Officer – New Zealand in June 2022. Cheyne has held senior public health roles including Executive Director of Residential and Support Services and Chief Nursing and Midwifery Officer at Monash Health, Melbourne. Cheyne is also an adjunct professor at Deakin University in Victoria.

Cameron Holland

CHIEF EXECUTIVE OFFICER – AUSTRALIA

Cameron joined Ryman in 2021. He is a proven business leader with over 15 years' experience leading the commercial and operational arms of some of Australasia's largest brands, including Jetstar and Lonely Planet. Cameron also has extensive experience in the aged-care, home-care and retirement-living sector in Australia.

25 Company Website.

Chris Evans

CHIEF DEVELOPMENT AND CONSTRUCTION OFFICER

Chris joined Ryman in 2021. He is an experienced construction leader, having enjoyed more than 25 years working for John Holland Group in a range of operational and senior leadership positions in Australia. More recently Chris worked at Sydney Airport, where he was Chief Assets and Infrastructure Officer.

Mary-Anne Stone

CHIEF EXPERIENCE AND ENGAGEMENT OFFICER

Mary-Anne rejoined Ryman in 2020. She has over 25 years' experience in the healthcare sector, including senior management roles in primary health, retirement living and home and community care. Mary-Anne's master's degree focused on health systems for ageing populations and health equity.

Rick Davies

CHIEF TECHNOLOGY AND INNOVATION OFFICER

Rick joined Ryman in 2019. He is an experienced leader, with a career in both technology and commercial leadership roles, having worked extensively within the ecommerce sector. Rick has had a range of senior roles, including leader of Trade Me's iconic retail marketplace division.

Di Walsh

CHIEF PEOPLE AND SAFETY OFFICER

Di joined Ryman in 2023. She began her career in biochemistry and held diverse operational roles before building an extensive career in senior people and culture roles across Australia and New Zealand. Prior to Ryman she worked in senior roles at Lion Breweries and most recently was Group Executive Manager – People at Fulton Hogan.

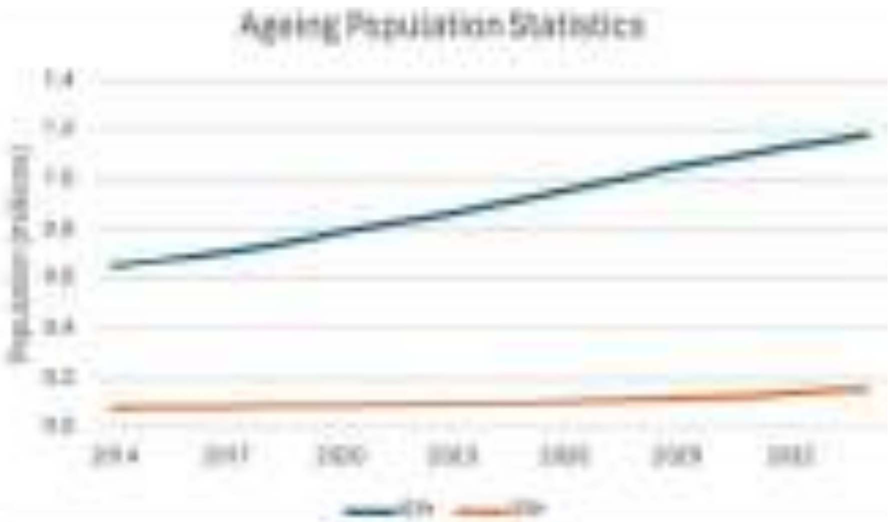
David Bennett

CHIEF STRATEGY OFFICER

Dave joined Ryman in 2013 and was promoted to Group Chief Financial Officer in 2017. In November 2023, Dave transitioned to Chief Strategy Officer. He is a board member of the Retirement Villages Association of New Zealand and the New Zealand Aged Care Association. Before joining Ryman he worked as an accountant and auditor.

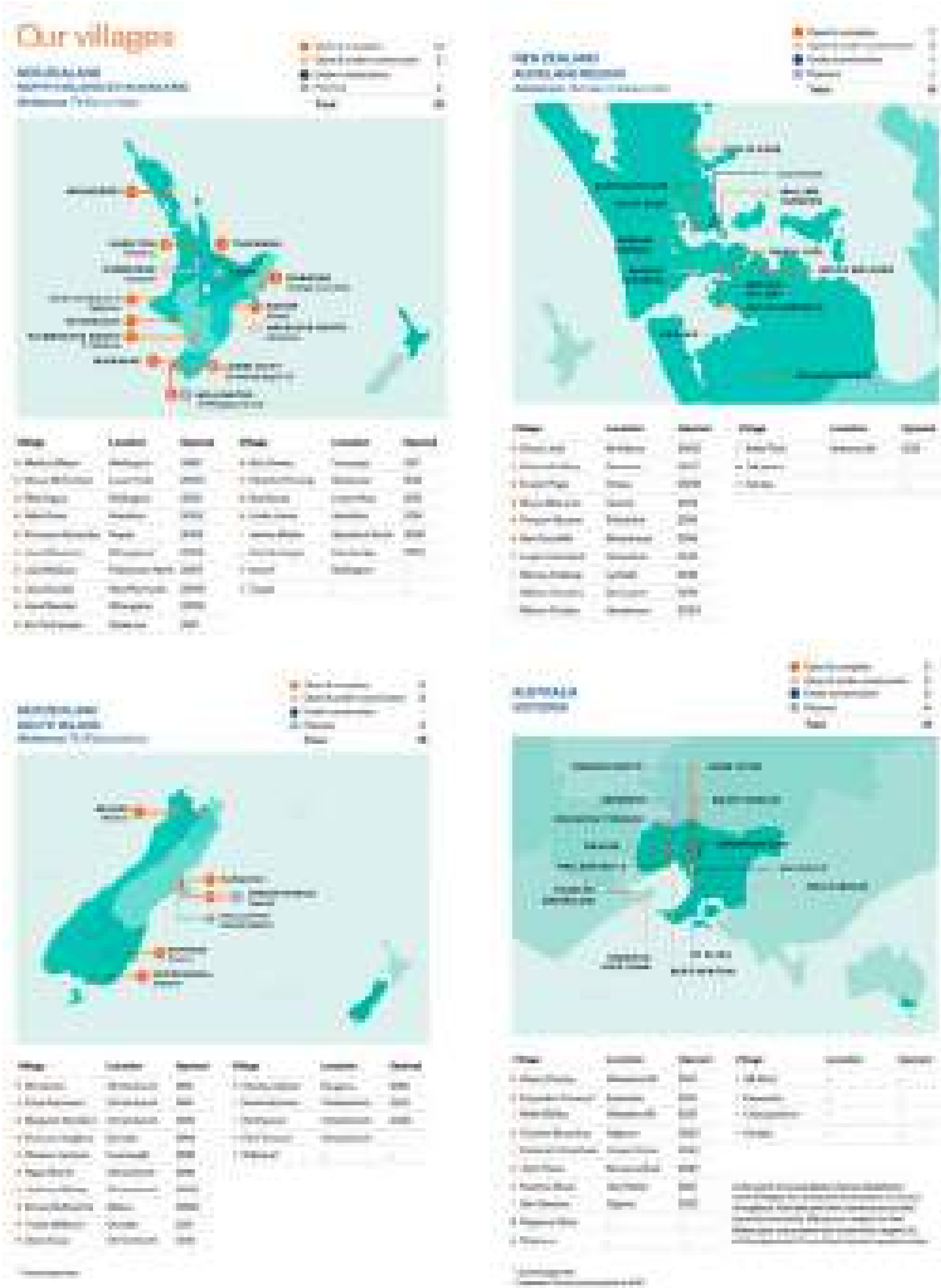
Ageing Population Statistics[26]

June year	65+	85+
2014	648500	77600
2015	670200	79800
2016	692000	82400
2017	713800	84100
2018	734900	85000
2019	759800	86500
2020	791900	88400
2021	817500	91000
2022	842100	93500
2023	868700	96100
2024	897300	99300
2025	926200	103800
2026	957000	109500
2027	988700	115100
2028	1020200	118100
2029	1049900	123100
2030	1077100	128600
2031	1102400	134900
2032	1127300	144700
2033	1152500	154000
2034	1178000	162100



26 Stats NZ

Villages[27]


Our villages

Growth of retirement villages over the last five years[28]

Year	Villages			Units			Residents
	Total	Increase No.	Increase %	Total	Increase No.	Increase %	Number
2018	399	17	4.5%	31,545	1,744	5.5%	41,009
2019	403	4	1.0%	34,592	3,047	8.8%	44,970
2020	422	19	4.7%	36,345	1,753	4.8%	47,249
2021	425	3	0.7%	37,489	1,144	3.1%	48,736
2022	452	27	6.4%	39,070	1,581	4.0%	50,791
5-year average	14			1,854			

28 JLL

Development Pipeline[29]

FY24 build rate outlook has come down to 650-750 (from 750 - 800) largely reflecting slippage of some build programmes.[30]

29 Ryman Half Year Report 2024
30 Equity Research Report

Example of DMF + Resale Process[31]

Resident 1 pays an initial capital sum of $800,000 NZD for a licence to occupy and the operator of the village had a DMF of 20% accruing at 4% for each year over 5 years.

Year 1 = 4% deduction = 4% x $800,000 = $32,000

Year 2 = 8% deduction = 8% x $800,000 = $64,000

Year 3 = 12% deduction = 12% x $800,000 = $96,000

Year 4 = 16% deduction = 16% x $800,000 = $128,000

Year 5 = 20% deduction = 20% x $800,000 = $160,000

After year 5: Resident 1 has now reached the maximum DMF of 20%. Regardless of whether resident 1 leaves after 5, 10 or 15 years, the DMF won't excess $160,000

When resident 1 leaves, the operator refurbishes the unit and looks to resell the unit. Let's say resident 2 is interested and pays $1,000,000 for the unit. Resident 1 is now paid $640,000, which is their initial capital sum minus their DMF. At this point, the operator can realise the DMF. The difference between resident 1's and resident 2's initial capital sums, which in this case is $200,000 is the capital gain for the retirement village operator representing another cash flow for the retirement village operator.

31 Village Guide NZ

RYMAN HEALTHCARE

CHAMPIONS TROPHY
Case Competition

UNIVERSITY OF AUCKLAND
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NEW ZEALAND

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