

Radius Residential Care

Caring for the Core Metrics in a Solid 1H25

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Radius Residential Care (RAD) reported a solid 1H25 result, with several operational metrics surprising to the upside, despite continued macroeconomic challenges. Revenue rose marginally from the prior comparable period (pcp) to NZ\$85.4m, as growth in occupancy and premium accommodation revenue offset the impact of one less care home operating during the period. These operational improvements and impressive cost discipline flowed through to EBITDAR per bed rising +10% in 1H25 versus the pcp. NPAT rose +39% on pcp, benefiting from the overall reduction in market interest rates, renegotiated facility rates and lower levels of debt. Operating cash flow and AFFO also grew strongly. RAD continues to prove its acumen as a cash-generative cash operator, supporting a resumption of dividends with a fully imputed 0.65cps interim dividend declared. We lift our estimates due to the solid operational progress delivered. Our spot valuation increases +1cps to NZ\$0.29.

NZX code	RAD	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.22	Rev (NZ\$m)	171.2	173.8	180.7	187.8	PE	18.2	11.5	8.4	7.3
Spot Valuation	NZ\$0.29 (from 0.28)	NPAT* (NZ\$m)	3.5	5.5	7.5	8.6	EV/EBIT	14.2	12.7	11.8	11.3
Risk rating	Medium	EPS* (NZc)	1.2	1.9	2.6	3.0	EV/EBITDA	9.1	8.5	7.9	7.6
Issued shares	284.9m	DPS (NZc)	0.7	1.5	1.6	1.8	Price / NTA	1.4	1.4	1.4	1.4
Market cap	NZ\$62.7m	Imputation (%)	100	100	100	100	Cash div yld (%)	3.2	6.6	7.3	8.0
Avg daily turnover	197.3k (NZ\$26k)	*Based on normalised profits					Gross div yld (%)	4.4	9.2	10.1	11.0

What's changed?

- **Earnings:** NPAT estimates lift +9%, +10% and +5% in FY25, FY26, and FY27 respectively, on operational improvements.
- **Spot valuation:** Our spot valuation lifts +4% to NZ\$0.29 on higher near-term earnings.

Solid 1H25 operational performance improvements and the premium revenue mix

RAD's operational improvements exceeded expectations across several core metrics. EBITDAR per occupied bed (non-annualised) increased +10% to NZ\$13.4k in 1H25, implying upside to our prior estimate of NZ\$25.5k for FY25. Improving profitability was supported by cost-discipline and economies of scale as average occupancy rose from 91.9% in 1H24 to 92.3% in 1H25 (93.4% at period end). The proportion of beds with accommodation supplements rose to 70%, outpacing last year's 68%, and further reinforcing RAD's strategy to capitalise on the demand for premium accommodation services. Lower-than-expected employee costs (-2% on pcp) added to the favourable picture, as industry-wide wage pressures abated, with operators across the sector now fully staffed.

Capital management helps reduce funding costs as RAD turns to growth

RAD made progress in reducing debt and financing costs, with drawn debt of NZ\$73.3m down -NZ\$2.6m in the half year versus FY24 (net debt reduced modestly by -NZ\$300k). This led to a -21% drop in finance costs in 1H25 versus 1H24. RAD completed the sale of the Arran Court care facility for NZ\$19m in January 2024, using the proceeds to reduce debt.

Bolt-on acquisitions and development to support growth

Albeit relatively small, the acquisition of a 51% stake in Cibus Catering expands RAD's service portfolio, adding complementary synergies to its core operations. Although details have not been disclosed, RAD expects the acquisition to be immediately earnings accretive. RAD has also advanced its development plans, securing resource consent for new villas at Matamata and progressing its Christchurch Belfast site.

Radius Residential Care Limited (RAD)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 25 Nov 2024					0.22	Comparable relative					0.29
52 week high / low					0.23 / 0.11	DCF					0.29
Market capitalisation (NZ\$m)					62.7	Dividend Discount Model (DDM)					0.27
Carbon and ESG (CESG)**						Key WACC assumptions					
CESG rating					n/a	Risk free rate					5.00%
CESG score					n/a	Equity beta					1.19
Sector average CESG score					n/a	WACC					9.6%
NZ average CESG score					n/a	Terminal growth					1.5%
Profit and Loss Account (NZ\$m)						Valuation Ratios					
Revenue	2023A	2024A	2025E	2026E	2027E	EV/Sales (x)	2023A	2024A	2025E	2026E	2027E
Normalised EBITDA	146.3	171.2	173.8	180.7	187.8	EV/EBITDA (x)	1.8	1.6	1.5	1.4	1.4
Depreciation and amortisation	22.7	29.6	30.2	32.3	33.4	EV/EBIT (x)	11.4	9.1	8.5	7.9	7.6
Normalised EBIT	(10.0)	(9.9)	(10.1)	(10.1)	(10.0)	PE (x)	27.4	14.2	12.7	11.8	11.3
Net interest	12.7	19.7	20.1	22.3	23.3	Price/NTA (x)	51.8	18.2	11.5	8.4	7.3
Associate income	(12.4)	(15.5)	(12.5)	(12.2)	(11.7)	Free cash flow yield (%)	1.4	1.4	1.4	1.4	1.4
Tax	0	0	0	0	0	Adj. free cash flow yield (%)	-91.2	12.7	9.4	13.4	14.5
Minority interests	0.9	(12.1)	(2.2)	(2.6)	(3.0)	Net dividend yield (%)	-2.5	14.0	11.4	15.5	16.6
Normalised NPAT	0	0	0	0	0	Gross dividend yield (%)	3.2	3.2	6.6	7.3	8.0
Abnormals/other	(3.3)	(11.9)	0.1	(0.8)	(0.8)	Capital Structure	4.4	4.4	9.2	10.1	11.0
Reported NPAT	(2.1)	(8.5)	5.5	6.7	7.8	Interest cover EBIT (x)	2023A	2024A	2025E	2026E	2027E
Normalised EPS (cps)	0.4	1.2	1.9	2.6	3.0	Interest cover EBITDA (x)	0.8	1.2	1.6	1.8	1.9
DPS (cps)	0.7	0.7	1.5	1.6	1.8	Net debt/ND+E (%)	1.8	1.9	2.4	2.6	2.9
Growth Rates						Key Ratios					
Revenue (%)	2023A	2024A	2025E	2026E	2027E	Return on assets (%)	2023A	2024A	2025E	2026E	2027E
EBITDA (%)	9.7	17.1	1.5	4.0	4.0	Return on equity (%)	2.6	5.7	6.1	6.5	6.9
EBIT (%)	1.9	30.5	2.0	7.1	3.2	Return on funds employed (%)	1.9	5.6	8.9	12.3	14.3
Normalised NPAT (%)	-22.1	>100	5.8	6.5	5.0	EBITDA margin (%)	0.3	0.9	1.4	2.0	2.4
Normalised EPS (%)	-27.8	>100	58.0	36.6	15.8	EBIT margin (%)	15.5	17.3	17.4	17.9	17.8
Ordinary DPS (%)	-38.1	>100	58.0	36.6	15.8	Capex to sales (%)	6.4	11.1	11.6	11.9	12.0
Cash Flow (NZ\$m)						Operating Performance					
EBITDA	2023A	2024A	2025E	2026E	2027E	EBITDA margin (%)	2023A	2024A	2025E	2026E	2027E
Working capital change	22.7	29.6	30.2	32.3	33.4	EBIT margin (%)	40.1	2.0	3.0	2.9	2.9
Interest & tax paid	(2.5)	(3.7)	(1.5)	(0.4)	(0.3)	Capex to depreciation (%)	-588	-35	-51	-52	-53
Other	(14.2)	(14.0)	(14.6)	(14.8)	(14.7)	Imputation (%)	100	100	100	100	100
Operating cash flow	(2.0)	2.3	0	0	0	Pay-out ratio (%)	165	58	76	61	58
Capital expenditure	4.0	14.1	14.1	17.1	18.4	Segment EBITDA	2023A	2024A	2025E	2026E	2027E
(Acquisitions)/divestments	(58.7)	(3.5)	(5.1)	(5.3)	(5.4)	Aged care	33.7	42.7	43.6	44.8	45.8
Other	(0.5)	0	(1.9)	0	0	Retirement villages	0.8	4.5	3.9	5.0	5.3
Funding available/(required)	(2.6)	(3.4)	(3.0)	(3.5)	(3.9)	Support	-11.8	-17.6	-17.3	-17.5	-17.7
Dividends paid	(57.7)	7.3	4.0	8.4	9.1	Total	22.7	29.6	30.2	32.3	33.4
Equity raised/(returned)	(2.9)	0	(3.8)	(4.3)	(4.8)	Key drivers					
(Increase)/decrease in net debt	0	0	0	0	0	Sales - new units	0	0	0	6	6
Balance Sheet (NZ\$m)						Ave price - new sales (NZ 000's)	0	0	500	515	530
Working capital	2023A	2024A	2025E	2026E	2027E	Sales - resold units	8	28	17	18	18
Fixed assets	(6.7)	(4.4)	(3.9)	(3.5)	(3.2)	Ave price - re-sales (NZ 000's)	464	390	429	442	455
Intangibles	133.9	117.3	117.2	117.2	117.2	Gross development margin	0	0	25%	25%	25%
Right of use asset	19.8	16.1	16.1	16.1	16.1	Gross resales margin	21%	16%	16%	16%	16%
Other assets	112.5	109.9	105.1	100.3	95.5	Portfolio					
Total funds employed	76.1	73.5	75.8	77.1	78.4	Care beds	1,889	1,789	1,789	1,789	1,789
Net debt/(cash)	335.5	312.4	310.2	307.1	304.0	Care bed occupancy	92%	92%	93%	93%	94%
Lease liability	100.1	73.5	73.4	69.2	65.0	Accommodation supplement beds	1,287	1,217	1,252	1,252	1,253
Other liabilities	121.5	121.1	118.1	114.6	110.6	% of beds with supplements	68%	68%	70%	70%	70%
Shareholder's funds	41.1	46.7	48.2	53.1	58.3						
Minority interests	72.9	71.1	70.5	70.1	70.1						
Total funding sources	0	0	0	0	0						
	335.5	312.4	310.2	307.1	304.0						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

1H25 results analysis

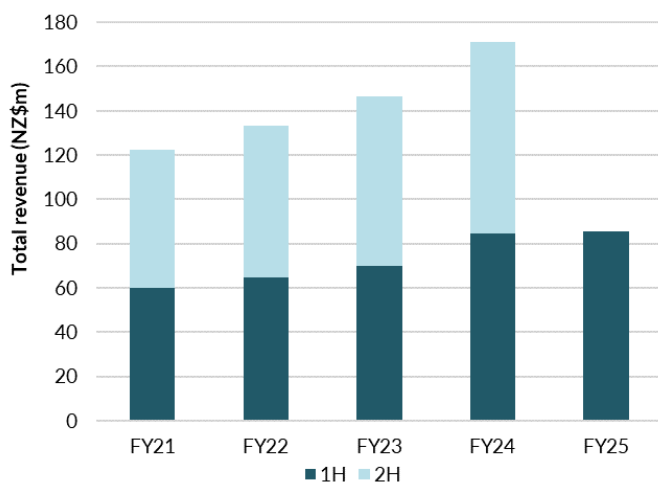
RAD delivered a robust 1H25 performance, showing steady growth across key operational metrics. Total revenue rose +1% from 1H24 to NZ\$85.4m, with improved occupancy rates and a higher proportion of beds with accommodation supplements, partially offset by one less facility operating following the sale of Arran Court. EBITDAR per bed increased +10% over 1H24, underscoring RAD’s focus on operational improvements and disciplined cost management. Underlying EBITDA reached NZ\$10.6m, a +14% increase from 1H24 (normalising for the sale of Arran Court). NPAT rose +39% due to substantial reductions in finance costs and impressive employee cost management. Operating cash flow of NZ\$6.6m met expectations, while AFFO at +NZ\$3.6m slightly outperformed forecasts, allowing for RAD’s resumption of ordinary dividend payments. A fully imputed interim dividend of 0.65cps was declared, set to be paid on 19 December 2024.

Figure 1. Results comparison

NZ\$m	1H24	1H25	Change (%)
Revenue	83.3	84.2	+1%
Deferred management fees	1.2	1.2	+0%
Total revenue	84.5	85.4	+1%
Change in fair value of investment property	1.4	0.6	-56%
Interest income	0.0	0.1	+161%
Total revenue and other income	85.9	86.1	+0%
Employee costs	(52.5)	(51.2)	-2%
Depreciation expense	(5.1)	(5.0)	-2%
Finance costs	(8.0)	(6.3)	-21%
Other expenses	(18.6)	(20.7)	+11%
Total expenses	(84.2)	(83.3)	-1%
Profit (loss) before income tax	1.6	2.8	+68%
Income tax expense	(0.2)	(0.8)	+253%
Profit for the period (NPAT)	1.4	2.0	+39%
Basic and diluted eps (cents per share)	0.50	0.69	+38%

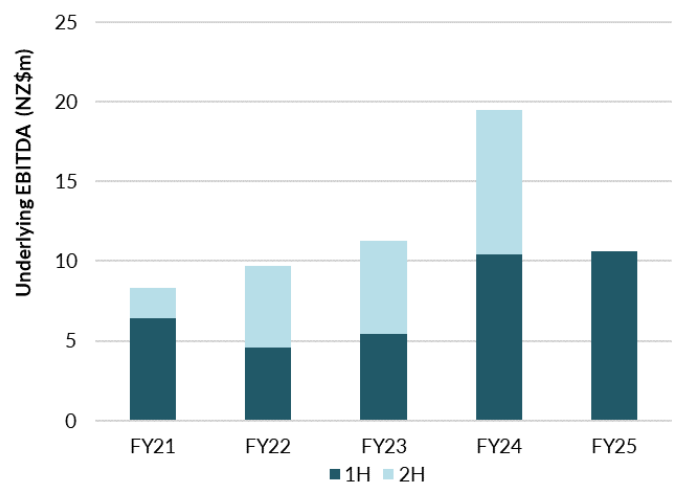
Source: Company, Forsyth Barr analysis

Figure 2. RAD – HY revenue splits



Source: Company, Forsyth Barr analysis

Figure 3. RAD – HY Underlying EBITDA splits



Source: Company, Forsyth Barr analysis

Earnings revisions

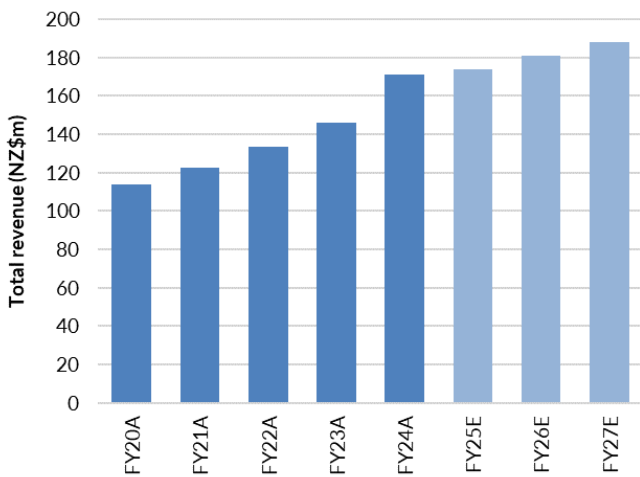
Following a stronger-than-expected performance in 1H25, we upgrade our near-term EBITDAR per bed forecasts, supported by higher premium accommodation changes. While higher D&A and finance costs partially offset these changes, NPAT rises +9%, +10% and +5% across FY25, FY26 and FY27 respectively. RAD's 1H25 included ~NZ\$1m of non-underlying costs, which are not expected to be incurred in future periods. We pull back our medium-term dividend growth trajectory modestly to provide room for development opportunities that are in progress, plus the potential for prioritising further debt repayment.

Figure 4. Earnings revisions (NZ\$m)

	FY25			FY26			FY27		
	Old	New	Change	Old	New	Change	Old	New	Change
Total revenue and other income	174.1	176.1	+1%	180.9	182.0	+1%	188.0	189.3	+1%
Employee costs	(107.3)	(106.4)	-1%	(111.3)	(109.8)	-1%	(115.5)	(114.3)	-1%
Depreciation	(8.6)	(10.1)	+18%	(8.5)	(10.1)	+19%	(8.4)	(10.0)	+20%
Finance costs	(11.6)	(12.5)	+8%	(11.6)	(12.2)	+5%	(11.2)	(11.8)	+5%
Other expenses	(39.6)	(39.4)	-1%	(41.1)	(40.6)	-1%	(42.6)	(42.3)	-1%
Total expenses	(167.1)	(168.4)	+1%	(172.5)	(172.7)	+0%	(177.6)	(178.4)	+0%
Profit (loss) before income tax	7.0	7.7	+9%	8.4	9.3	+10%	10.4	10.9	+5%
Income tax expense	(2.0)	(2.2)	+9%	(2.4)	(2.6)	+10%	(2.9)	(3.0)	+5%
NPAT	5.1	5.5	+9%	6.1	6.7	+10%	7.5	7.8	+5%
Basic and diluted eps	1.8	1.9	+9%	2.1	2.3	+10%	2.6	2.7	+5%
DPS (cents)	1.40	1.45	+4%	1.70	1.60	-6%	1.80	1.75	-3%

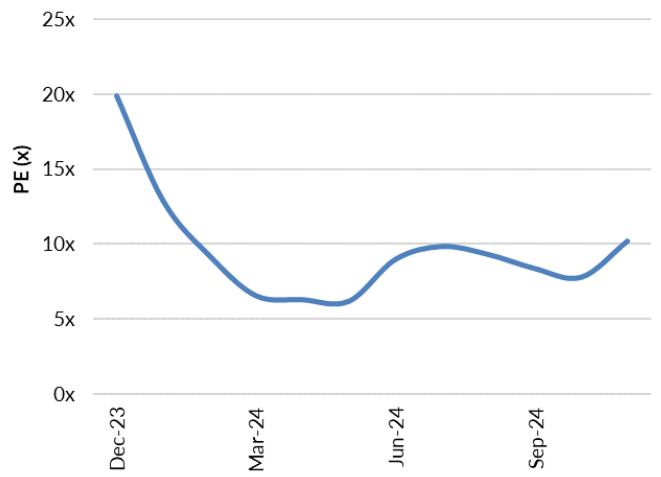
Source: Forsyth Barr analysis

Figure 5. RAD – Total revenue



Source: Company, Forsyth Barr analysis

Figure 6. RAD – Approximated 12-month forward PE



Source: Company, Forsyth Barr analysis

Additional data

Figure 7. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 8. Substantial shareholders

Shareholder	Latest Holding
Wave Rider	33.5%
Windhaven	10.6%
Neil Foster	5.5%
Main Family Trust	5.4%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 9. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld
				1yr	2yr	1yr	2yr	1yr	2yr	1yr
Radius Residential Care	RAD NZ	NZ\$0.22	NZ\$64	8.3x	7.0x	12.7x	12.1x	18.6x	17.3x	7.1%
Oceania Healthcare	OCA NZ	NZ\$0.76	NZ\$550	7.0x	6.5x	12.0x	10.9x	14.9x	14.6x	1.7%
Ryman Healthcare	RYM NZ	NZ\$5.02	NZ\$3,452	12.5x	10.7x	19.0x	13.9x	22.1x	21.4x	0.0%
Summerset	SUM NZ	NZ\$12.92	NZ\$3,060	13.6x	11.9x	14.4x	12.6x	17.3x	15.1x	2.0%

Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

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