

Radius Residential Care

Never Fear, There's Profits in Care

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Radius Residential Care's (RAD) FY25 trading update highlights strong operational performance that is materially ahead of our prior expectations. RAD continues to deliver impressive improvements in per-bed profitability, underpinned by rising occupancy, a strategic tilt to high-acuity care, and disciplined cost management. A modest development pipeline means strong operational momentum is flowing through to robust cash generation, supporting ongoing debt reduction and distributions to shareholders. The value of RAD's differentiated care model is clear. RAD offers a gross yield of ~10% in FY26, with significant dividend growth potential given the earnings trajectory and low payout ratio (~50% of AFFO). We view RAD as an attractive exposure to favourable demographic trends in NZ, with further upside potential from future improvements in government care funding and site expansion. Our blended spot valuation rises +7cps to NZ\$0.36 as we lift our earnings forecasts significantly.

NZX code	RAD	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.24	Rev (NZ\$m)	171.2	174.0	181.1	186.1	PE	19.4	9.1	6.0	5.5
Spot Valuation	NZ\$0.36 (from 0.29)	NPAT* (NZ\$m)	3.5	7.4	11.2	12.2	EV/EBIT	14.4	11.6	9.8	9.4
Risk rating	Medium	EPS* (NZc)	1.2	2.6	3.9	4.3	EV/EBITDA	9.3	8.0	6.9	6.7
Issued shares	284.9m	DPS (NZc)	0.7	1.4	1.7	1.9	Price / NTA	1.5	1.4	1.3	1.2
Market cap	NZ\$67m	Imputation (%)	100	100	100	100	Cash div yld (%)	3.0	6.0	7.2	8.1
Avg daily turnover	224.6k (NZ\$33k)	*Based on normalised profits					Gross div yld (%)	4.1	8.3	10.0	11.2

What's changed?

- **Earnings:** NPAT rises +35%/+55%/+46% across FY25/FY26/FY27 on stronger EBITDAR per bed.
- **Spot valuation:** Our blended spot valuation lifts +24% to NZ\$0.36.

Strong FY25 performance—well ahead of FY24

RAD expects underlying EBITDA for FY25 to be between NZ\$23.3m and NZ\$23.7m, up +12% at the midpoint from NZ\$20.9m in FY24 and ahead of our prior estimate of NZ\$21.3m. This is despite RAD operating with one additional care home for nine months of FY24 before the sale of Arran Court. The key driver of outperformance relative to our prior forecasts was a +13% improvement in EBITDAR per occupied bed to NZ\$27.9k, driven by high occupancy and improved bed mix. Average occupancy strengthened +1.0% to 92.8% and was 93.9% in the last week of FY25, with particularly strong demand for higher-revenue hospital and ACC beds.

Balance sheet strengthening

Improved operational cash flow has enabled RAD to make solid progress in reducing debt. Drawn debt fell to NZ\$70.2m at the FY25 balance date, down from NZ\$75.9m in FY24, strengthening RAD's balance sheet. Reduced borrowings and favourable interest rates lowered net financing costs by -36% to NZ\$6.1m in FY25. Moderate development activity should facilitate further debt reduction, although RAD continues to evaluate selective growth opportunities.

Strategic initiatives driving profitability

RAD highlighted several operational factors underpinning its robust FY25 performance. Accommodation supplement revenue rose +NZ\$1m (+11%) against FY24, benefiting earnings. Additionally, the acquisition of a 51% stake in Cibus Catering on 1 October 2024 provided incremental contributions to group profitability. RAD's disciplined operational management—notably its efficient staffing structure and improved mix of higher-acuity care residents—continues to deliver enhanced EBITDAR margins. In an environment of stable government funding, these initiatives reinforce RAD's capability to scale operations profitably.

Radius Residential Care Limited (RAD)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 09 Apr 2025					0.24	Comparable relative					0.38
52 week high / low					0.24 / 0.11	DCF					0.37
Market capitalisation (NZ\$m)					67.0	Dividend Discount Model (DDM)					0.32
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	2023A	2024A	2025E	2026E	2027E	
Revenue	146.3	171.2	174.0	181.1	186.1	EV/Sales (x)	1.8	1.6	1.5	1.4	1.4
Normalised EBITDA	22.7	29.6	32.4	36.7	37.8	EV/EBITDA (x)	11.6	9.3	8.0	6.9	6.7
Depreciation and amortisation	(10.0)	(9.9)	(10.1)	(10.1)	(10.2)	EV/EBIT (x)	27.8	14.4	11.6	9.8	9.4
Normalised EBIT	12.7	19.7	22.3	26.6	27.7	PE (x)	55.3	19.4	9.1	6.0	5.5
Net interest	(12.4)	(15.5)	(12.0)	(11.4)	(10.9)	Price/NTA (x)	1.5	1.5	1.4	1.3	1.2
Associate income	0	0	0	0	0	Free cash flow yield (%)	-85.4	11.9	13.7	11.4	14.8
Tax	0.9	(12.1)	(2.9)	(4.1)	(4.5)	Adj. free cash flow yield (%)	-2.4	13.1	13.7	14.2	17.7
Minority interests	0	0	0	0	0	Net dividend yield (%)	3.0	3.0	6.0	7.2	8.1
Normalised NPAT	1.2	3.5	7.4	11.2	12.2	Gross dividend yield (%)	4.1	4.1	8.3	10.0	11.2
Abnormals/other	(3.3)	(11.9)	0.0	(0.7)	(0.7)	Capital Structure					
Reported NPAT	(2.1)	(8.5)	7.4	10.5	11.6	2023A	2024A	2025E	2026E	2027E	
Normalised EPS (cps)	0.4	1.2	2.6	3.9	4.3	Interest cover EBIT (x)	0.8	1.2	1.9	2.3	2.5
DPS (cps)	0.7	0.7	1.4	1.7	1.9	Interest cover EBITDA (x)	1.8	1.9	2.7	3.2	3.5
Growth Rates						Net debt/ND+E (%)	61.2	54.4	51.9	49.6	46.6
2023A	2024A	2025E	2026E	2027E		Net debt/EBITDA (x)	4.4	2.5	2.1	1.8	1.6
Revenue (%)	9.7	17.1	1.6	4.1	2.8	Key Ratios					
EBITDA (%)	1.9	30.5	9.4	13.4	3.0	2023A	2024A	2025E	2026E	2027E	
EBIT (%)	-22.1	>100	17.0	16.4	4.0	Return on assets (%)	2.6	5.7	6.8	7.8	8.1
Normalised NPAT (%)	-27.8	>100	>100	51.0	9.6	Return on equity (%)	1.9	5.6	11.6	16.7	17.5
Normalised EPS (%)	-38.1	>100	>100	51.0	9.6	Return on funds employed (%)	0.3	0.9	1.9	2.9	3.2
Ordinary DPS (%)	-52.1	0.0	100.0	21.4	11.8	EBITDA margin (%)	15.5	17.3	18.6	20.3	20.3
Cash Flow (NZ\$m)						EBIT margin (%)	6.4	11.1	12.8	14.3	14.5
2023A	2024A	2025E	2026E	2027E		Capex to sales (%)	40.1	2.0	3.2	4.1	4.1
EBITDA	22.7	29.6	32.4	36.7	37.8	Capex to depreciation (%)	-588	-35	-54	-74	-76
Working capital change	(2.5)	(3.7)	0.2	(2.7)	(0.8)	Imputation (%)	100	100	100	100	100
Interest & tax paid	(14.2)	(14.0)	(14.9)	(15.4)	(15.4)	Pay-out ratio (%)	165	58	54	43	44
Other	(2.0)	2.3	0	0	0	Operating Performance					
Operating cash flow	4.0	14.1	17.7	18.6	21.6	2023A	2024A	2025E	2026E	2027E	
Capital expenditure	(58.7)	(3.5)	(5.5)	(7.5)	(7.7)	Segment EBITDA					
(Acquisitions)/divestments	(0.5)	0	(1.0)	0	0	Aged care	33.7	42.7	46.3	49.6	50.7
Other	(2.6)	(3.4)	(3.0)	(3.5)	(3.9)	Retirement villages	0.8	4.5	4.2	4.8	5.0
Funding available/(required)	(57.7)	7.3	8.2	7.6	9.9	Support	-11.8	-17.6	-18.0	-17.6	-17.9
Dividends paid	(2.9)	0	(3.8)	(4.4)	(5.1)	Total	22.7	29.6	32.4	36.7	37.8
Equity raised/(returned)	0	0	0	0	0	Key drivers					
(Increase)/decrease in net debt	(60.6)	7.3	4.3	3.2	4.8	Sales - new units	0	0	0	6	6
Balance Sheet (NZ\$m)						Ave price - new sales (NZ 000's)	0	0	500	515	530
2023A	2024A	2025E	2026E	2027E		Sales - resold units	8	28	17	19	18
Working capital	(6.7)	(4.4)	(6.1)	(4.0)	(3.6)	Ave price - re-sales (NZ 000's)	464	390	429	442	455
Fixed assets	133.9	117.3	117.5	119.7	122.0	Gross development margin	0	0	25%	5%	5%
Intangibles	19.8	16.1	16.1	16.1	16.1	Gross resales margin	21%	16%	20%	20%	20%
Right of use asset	112.5	109.9	105.1	100.3	95.5	Portfolio					
Other assets	76.1	73.5	76.5	78.2	79.8	Care beds	1,889	1,789	1,789	1,789	1,789
Total funds employed	335.5	312.4	309.1	310.3	309.8	Care bed occupancy	92%	92%	93%	94%	94%
Net debt/(cash)	100.1	73.5	69.2	66.0	61.2	Accommodation supplement beds	1,287	1,217	1,252	1,257	1,261
Lease liability	121.5	121.1	118.1	114.6	110.6	% of beds with supplements	68%	68%	70%	70%	71%
Other liabilities	41.1	46.7	48.2	53.1	58.3	Key drivers					
Shareholder's funds	72.9	71.1	73.6	76.6	79.7	Sales - new units	0	0	0	6	6
Minority interests	0	0	0	0	0	Ave price - new sales (NZ 000's)	0	0	500	515	530
Total funding sources	335.5	312.4	309.1	310.3	309.8	Sales - resold units	8	28	17	19	18

* 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

Earnings revisions

We lift our earnings estimates significantly. Our earnings changes primarily reflect lower operating costs, with efficiency (reflected in EBITDAR per bed) tracking materially ahead of our expectations. We also reduce our finance costs following a larger-than-anticipated reduction in drawn debt during FY25. At this stage, we keep our dividend track broadly unchanged, despite higher earnings, as we expect RAD will want to retain some flexibility to pursue growth avenues.

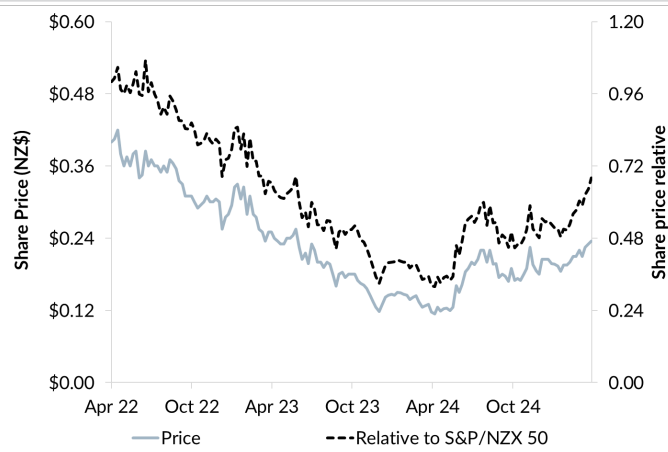
Figure 1. Earnings revisions (NZ\$m)

	FY25			FY26			FY27		
	Old	New	Change	Old	New	Change	Old	New	Change
Total revenue and other income	176.1	177.1	+1%	182.0	182.8	+0%	189.3	187.9	-1%
Employee costs	(106.4)	(103.4)	-3%	(109.8)	(104.9)	-4%	(114.3)	(107.6)	-6%
Depreciation	(10.1)	(10.1)	+0%	(10.1)	(10.1)	+0%	(10.0)	(10.2)	+1%
Finance costs	(12.5)	(12.1)	-4%	(12.2)	(11.4)	-7%	(11.8)	(11.1)	-6%
Other expenses	(39.4)	(41.2)	+5%	(40.6)	(41.8)	+3%	(42.3)	(42.9)	+1%
Total expenses	(168.4)	(166.8)	-1%	(172.7)	(168.2)	-3%	(178.4)	(171.8)	-4%
Profit (loss) before income tax	7.7	10.3	+34%	9.3	14.6	+57%	10.9	16.1	+48%
Income tax expense	(2.2)	(2.9)	+34%	(2.6)	(4.1)	+57%	(3.0)	(4.5)	+48%
NPAT	5.5	7.4	+34%	6.7	10.5	+57%	7.8	11.6	+48%
Basic and diluted eps	0.019	0.026	+34%	0.023	0.037	+57%	0.027	0.041	+48%
DPS	0.014	0.014	+0%	0.017	0.017	+0%	0.018	0.019	+6%

Source: Forsyth Barr analysis

Additional data

Figure 2. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 3. 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 4. 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
				1yr	2yr	1yr	2yr	1yr	2yr	
Radius Residential Care	RAD NZ	NZ\$0.22	NZ\$61	7.7x	6.7x	12.0x	11.5x	17.3x	16.4x	7.9%
Oceania Healthcare	OCA NZ	NZ\$0.59	NZ\$427	9.2x	7.3x	12.7x	11.0x	16.9x	14.6x	0.7%
Ryman Healthcare	RYM NZ	NZ\$2.53	NZ\$2,570	21.1x	18.3x	32.5x	22.9x	32.9x	30.3x	0.0%
Summerset	SUM NZ	NZ\$10.98	NZ\$2,645	10.8x	9.3x	13.8x	12.3x	15.9x	14.1x	2.3%

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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