

# Radius Residential Care

## Expanding the National Footprint with St Allisa

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Radius Residential Care (RAD) has announced the acquisition of the St Allisa care home in Christchurch for NZ\$14.7m from Arvida. The acquisition will provide RAD with an additional 109 care beds (~6% of the existing base) and is expected to be earnings accretive in FY26. Settlement is scheduled for 30 May 2025, with a sale and leaseback worth NZ\$13.6m for the underlying property assets occurring on the same day. The St Allisa transaction aligns with RAD's strategy to expand its care presence in a capital-light manner. It also enhances its Christchurch market coverage and builds on robust operational momentum underpinned by strong occupancy (93.9% in the final week of FY25). We leave our FY25 forecasts unchanged but make upgrades to our FY26 and FY27 estimates as we incorporate our preliminary modelling of the new care home. Our blended spot valuation rises +2cps to NZ\$0.38.

NZX code	RAD	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.27	Rev (NZ\$m)	171.2	174.0	185.6	190.7	PE	22.3	10.4	6.7	5.9
Spot Valuation	NZ\$0.38 (from 0.36)	NPAT* (NZ\$m)	3.5	7.4	11.4	13.1	EV/EBIT	14.9	12.0	9.8	9.1
Risk rating	Medium	EPS* (NZc)	1.2	2.6	4.0	4.6	EV/EBITDA	9.6	8.3	6.9	6.6
Issued shares	284.9m	DPS (NZc)	0.7	1.4	1.8	2.0	Price / NTA	1.7	1.6	1.5	1.4
Market cap	NZ\$77m	Imputation (%)	100	100	100	100	Cash div yld (%)	2.6	5.2	6.5	7.4
Avg daily turnover	228.7k (NZ\$33k)	*Based on normalised profits					Gross div yld (%)	3.6	7.2	9.0	10.3

### What's changed?

- **Earnings:** EPS rises +3% in FY26 and +8% in FY27 due to the contribution of the St Allisa care home.
- **Spot valuation:** Rises +6% to NZ\$0.38 on earnings upgrades.

### Growth momentum continues with Christchurch expansion

The acquisition of St Allisa aligns with RAD's desire to expand its national footprint, in contrast with other listed operators which have been looking to reduce care exposure. St Allisa offers 109 high-acuity care beds, with 89 swing beds (able to be used for both hospital and rest home) and 20 dementia beds, and will increase RAD's total facility count to 24 homes. RAD's Christchurch market presence will be meaningfully enhanced, providing a platform for further scale efficiencies and strengthening local brand visibility. RAD currently has two care homes in Christchurch: St Helenas (52 beds, owned) and Hawthorne (94 beds, leased). It also has the right to acquire a site in Belfast, Christchurch, which could support 100 care beds and 80 independent living units.

### Sale and leaseback structure enhances flexibility

The transaction structure sees RAD selling the St Allisa property to Warehouse Storage Limited for NZ\$13.6m and leasing it back on a 30-year initial term. We estimate annual lease costs will be ~NZ\$1m. This asset-light structure preserves RAD's capital flexibility, supports balance sheet strength, and aligns with its disciplined approach to growth—although it does increase risk around fixed rental payments. The modest NZ\$1.1m net cash outlay will be funded from existing liquidity. Post acquisition, 54% of RAD's care beds will be leased from third-party owners, with the remainder owned outright.

### Earnings accretion expected from FY26, deal economics robust

Management expects the St Allisa acquisition to be immediately earnings accretive in FY26, which started 1 April 2025. However, we anticipate it will take two to three years for St Allisa to match RAD's industry-leading EBITDAR per bed of NZ\$27.9k. Nevertheless, the economics of the deal appear strong. We estimate RAD's total per-bed cost of ownership (lease costs and maintenance capex) will be between NZ\$9k and NZ\$10k for St Allisa.

**Radius Residential Care Limited (RAD)**

<b>Market Data (NZ\$)</b>						<b>Spot valuation (NZ\$)</b>					
Priced as at 30 Apr 2025					<b>0.27</b>	Comparable relative					<b>0.39</b>
52 week high / low					0.23 / 0.11	DCF					<b>0.40</b>
Market capitalisation (NZ\$m)					76.9	Dividend Discount Model (DDM)					<b>0.34</b>
<b>Carbon and ESG (CESG)**</b>						<b>Key WACC assumptions</b>					
CESG rating					n/a	Risk free rate					<b>5.00%</b>
CESG score					n/a	Equity beta					<b>1.19</b>
Sector average CESG score					n/a	WACC					<b>9.6%</b>
NZ average CESG score					n/a	Terminal growth					<b>1.5%</b>
<b>Profit and Loss Account (NZ\$m)</b>						<b>Valuation Ratios</b>					
	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>		<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Revenue	146.3	171.2	174.0	185.6	190.7	EV/Sales (x)	1.9	1.7	1.6	1.4	1.4
<b>Normalised EBITDA</b>	<b>22.7</b>	<b>29.6</b>	<b>32.4</b>	<b>38.2</b>	<b>40.2</b>	EV/EBITDA (x)	12.0	9.6	8.3	6.9	6.6
Depreciation and amortisation	(10.0)	(9.9)	(10.1)	(10.5)	(10.5)	EV/EBIT (x)	28.9	14.9	12.0	9.8	9.1
<b>Normalised EBIT</b>	<b>12.7</b>	<b>19.7</b>	<b>22.3</b>	<b>27.7</b>	<b>29.7</b>	PE (x)	63.6	22.3	10.4	6.7	5.9
Net interest	(12.4)	(15.5)	(12.0)	(12.0)	(11.7)	Price/NTA (x)	1.7	1.7	1.6	1.5	1.4
Associate income	-	-	-	-	-	Free cash flow yield (%)	-74.3	10.3	11.9	9.0	14.0
Tax	0.9	(12.1)	(2.9)	(4.2)	(4.8)	Adj. free cash flow yield (%)	-2.1	11.4	11.9	12.6	16.6
Minority interests	-	-	-	-	-	Net dividend yield (%)	2.6	2.6	5.2	6.5	7.4
<b>Normalised NPAT</b>	<b>1.2</b>	<b>3.5</b>	<b>7.4</b>	<b>11.4</b>	<b>13.1</b>	Gross dividend yield (%)	3.6	3.6	7.2	9.0	10.3
Abnormals/other	(3.3)	(11.9)	0.0	(0.7)	(0.7)						
<b>Reported NPAT</b>	<b>(2.1)</b>	<b>(8.5)</b>	<b>7.4</b>	<b>10.8</b>	<b>12.4</b>	<b>Capital Structure</b>					
Normalised EPS (cps)	0.4	1.2	2.6	4.0	4.6	Interest cover EBIT (x)	0.8	1.2	1.9	2.2	2.5
DPS (cps)	0.7	0.7	1.4	1.8	2.0	Interest cover EBITDA (x)	1.8	1.9	2.7	3.2	3.4
						Net debt/ND+E (%)	61.2	54.4	51.9	49.8	46.2
						Net debt/EBITDA (x)	4.4	2.5	2.1	1.7	1.5
<b>Growth Rates</b>						<b>Key Ratios</b>					
	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>		<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Revenue (%)	9.7	17.1	1.6	6.6	2.8	Return on assets (%)	2.6	5.7	6.8	7.8	8.3
EBITDA (%)	1.9	30.5	9.4	17.9	5.2	Return on equity (%)	1.9	5.6	11.6	17.0	18.4
EBIT (%)	-22.1	>100	17.0	21.2	7.2	Return on funds employed (%)	0.3	0.9	1.9	2.9	3.3
Normalised NPAT (%)	-27.8	>100	>100	54.8	14.3	EBITDA margin (%)	15.5	17.3	18.6	20.6	21.1
Normalised EPS (%)	-38.1	>100	>100	54.8	14.3	EBIT margin (%)	6.4	11.1	12.8	14.6	15.2
Ordinary DPS (%)	-52.1	0.0	100.0	25.0	14.3	Capex to sales (%)	40.1	2.0	3.2	4.7	4.1
						Capex to depreciation (%)	-588	-35	-54	-84	-75
<b>Cash Flow (NZ\$m)</b>						<b>Operating Performance</b>					
	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>		<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>EBITDA</b>	<b>22.7</b>	<b>29.6</b>	<b>32.4</b>	<b>38.2</b>	<b>40.2</b>	<b>Segment EBITDA</b>					
Working capital change	(2.5)	(3.7)	0.2	(2.6)	(0.9)	Aged care	33.7	42.7	46.3	50.2	52.1
Interest & tax paid	(14.2)	(14.0)	(14.9)	(16.2)	(16.6)	Retirement villages	0.8	4.5	4.2	4.8	5.0
Other	(2.0)	2.3	-	-	-	Support	-11.8	-17.6	-18.0	-16.8	-16.9
<b>Operating cash flow</b>	<b>4.0</b>	<b>14.1</b>	<b>17.7</b>	<b>19.3</b>	<b>22.7</b>	<b>Total</b>	<b>22.7</b>	<b>29.6</b>	<b>32.4</b>	<b>38.2</b>	<b>40.2</b>
Capital expenditure	(58.7)	(3.5)	(5.5)	(8.8)	(7.9)						
(Acquisitions)/divestments	(0.5)	-	(1.0)	-	-	<b>Key drivers</b>					
Other	(2.6)	(3.4)	(3.0)	(3.6)	(4.0)	Sales - new units	0	0	0	6	6
<b>Funding available/(required)</b>	<b>(57.7)</b>	<b>7.3</b>	<b>8.2</b>	<b>6.9</b>	<b>10.8</b>	Ave price - new sales (NZ 000's)	0	0	500	515	530
Dividends paid	(2.9)	-	(3.8)	(4.4)	(5.3)	Sales - resold units	8	28	17	19	18
Equity raised/(returned)	-	-	-	-	-	Ave price - re-sales (NZ 000's)	464	390	429	442	455
<b>(Increase)/decrease in net debt</b>	<b>(60.6)</b>	<b>7.3</b>	<b>4.3</b>	<b>2.5</b>	<b>5.5</b>	Gross development margin	0%	0%	25%	5%	5%
						Gross resales margin	21%	16%	20%	20%	20%
<b>Balance Sheet (NZ\$m)</b>						<b>Portfolio</b>					
	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>		<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Working capital	(6.7)	(4.4)	(6.1)	(4.0)	(3.5)	Care beds	1,889	1,789	1,789	1,898	1,898
Fixed assets	133.9	117.3	117.5	121.0	123.6	Care bed occupancy	92%	92%	93%	94%	94%
Intangibles	19.8	16.1	16.1	16.1	16.1	Accommodation supplement beds	1,287	1,217	1,252	1,333	1,338
Right of use asset	112.5	109.9	105.1	113.5	108.3	% of beds with supplements	68%	68%	70%	70%	71%
Other assets	76.1	73.5	76.5	78.2	79.8						
<b>Total funds employed</b>	<b>335.5</b>	<b>312.4</b>	<b>309.1</b>	<b>324.8</b>	<b>324.2</b>						
Net debt/(cash)	100.1	73.5	69.2	66.7	61.2						
Lease liability	121.5	121.1	118.1	128.1	124.1						
Other liabilities	41.1	46.7	48.2	53.1	58.3						
Shareholder's funds	72.9	71.1	73.6	76.9	80.7						
Minority interests	-	-	-	-	-						
<b>Total funding sources</b>	<b>335.5</b>	<b>312.4</b>	<b>309.1</b>	<b>324.8</b>	<b>324.2</b>						

\* 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](http://www.forsythbarr.co.nz/corporate-news-events/cesg-report)

## The St Allisa Care Home

St Allisa is a 109-bed care facility located at 46 Main South Road, Sockburn, Christchurch, on roughly 3,100m<sup>2</sup> of land. The site includes a mix of single and double rooms, all with full ensuite bathrooms. Of the 109 beds, 89 are configured as swing beds—able to be used for either rest home or hospital-level care—while 20 are dedicated to secure dementia care. St Allisa offers services spanning long-term chronic care, respite care, dementia, young person disability, and ACC recovery support. The facility operates under 24/7 clinical oversight from registered nurses, with the grounds featuring native planting and multiple garden areas, including an old English-style rose garden.

Figure 1. The St Allisa Care Home



Source: Eldernet, Forsyth Barr analysis

Figure 2. The St Allisa Care Home



Source: Eldernet, Forsyth Barr analysis

## Earnings revisions

We incorporate our initial modelling of the St Allisa care village. NPAT increases +3% and +8% in FY26 and FY27 respectively, as the contribution from additional care beds is partially offset by: (1) a modest dilution in EBITDA per bed relative to our prior modelling; and (2) higher lease depreciation and lease interest.

Figure 3. Earnings revisions (NZ\$m)

	FY25			FY26			FY27		
	Old	New	Change	Old	New	Change	Old	New	Change
<b>Total revenue and other income</b>	<b>177.1</b>	<b>177.1</b>	<b>+0%</b>	<b>182.8</b>	<b>187.3</b>	<b>+2%</b>	<b>187.8</b>	<b>192.4</b>	<b>+2%</b>
Employee costs	(103.4)	(103.4)	+0%	(104.9)	(107.0)	+2%	(107.6)	(110.0)	+2%
Depreciation	(10.1)	(10.1)	+0%	(10.1)	(10.5)	+4%	(10.2)	(10.5)	+4%
Finance costs	(12.1)	(12.1)	+0%	(11.4)	(12.1)	+6%	(11.1)	(11.8)	+7%
Other expenses	(41.2)	(41.2)	+0%	(41.8)	(42.7)	+2%	(42.9)	(42.8)	-0%
<b>Total expenses</b>	<b>(166.8)</b>	<b>(166.8)</b>	<b>+0%</b>	<b>(168.2)</b>	<b>(172.3)</b>	<b>+2%</b>	<b>(171.8)</b>	<b>(175.2)</b>	<b>+2%</b>
<b>Profit (loss) before income tax</b>	<b>10.3</b>	<b>10.3</b>	<b>+0%</b>	<b>14.6</b>	<b>15.0</b>	<b>+3%</b>	<b>16.0</b>	<b>17.3</b>	<b>+8%</b>
Income tax expense	(2.9)	(2.9)	+0%	(4.1)	(4.2)	+3%	(4.5)	(4.8)	+8%
<b>NPAT</b>	<b>7.4</b>	<b>7.4</b>	<b>+0%</b>	<b>10.5</b>	<b>10.8</b>	<b>+3%</b>	<b>11.6</b>	<b>12.4</b>	<b>+8%</b>
Basic and diluted eps	0.026	0.026	+0%	0.037	0.038	+3%	0.041	0.044	+8%

Source: Forsyth Barr analysis

## Additional data

**Figure 4. Share price performance**



Source: LSEG, Forsyth Barr analysis

**Figure 5. Substantial shareholders**

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

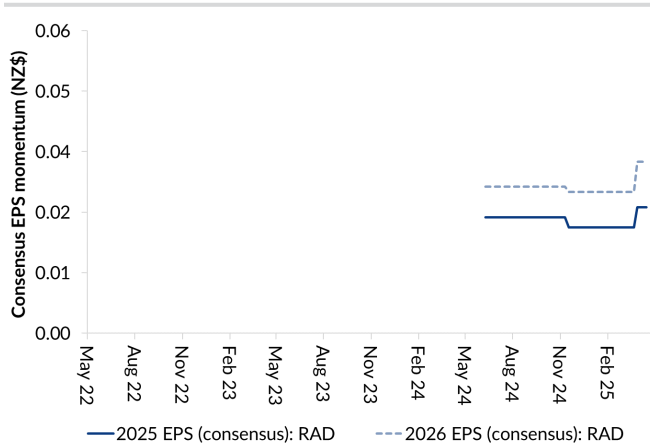
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

**Figure 6. 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\$0.27	NZ\$77	7.9x	6.8x	11.7x	11.1x	16.3x	15.4x	6.3%
Oceania Healthcare	OCA NZ	NZ\$0.65	NZ\$471	10.0x	7.7x	13.1x	11.3x	17.5x	14.6x	0.8%
Ryman Healthcare	RYM NZ	NZ\$2.21	NZ\$2,245	18.3x	17.3x	29.6x	22.0x	30.7x	29.2x	0.0%
Summerset	SUM NZ	NZ\$10.78	NZ\$2,597	10.5x	9.1x	13.5x	12.2x	15.6x	13.8x	2.4%

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

**Figure 7. Consensus EPS momentum (NZ\$)**



Source: Bloomberg, Forsyth Barr analysis

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